

PHOENIX UNIT TRUST MANAGERS

MANAGER'S ANNUAL REPORT

For the year: 2 May 2022 to 1 May 2023

PUTM UK STOCK MARKET FUND (SERIES 3)



Contents

Investment review*	2-3
Portfolio of investments*	4-9
Top ten purchases and sales	10
Statistical information*	11-13
Statements of total return & change in unitholders' funds	14
Balance sheet	15
Notes to the financial statements	16-23
Distribution tables	24
Responsibilities of the manager and the trustee	25
Trustee's report and directors' statement	26
Independent auditor's report	27-29
Corporate information*	30-32

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

Investment review

Dear Investor

Welcome to the PUTM UK Stock Market Series 3 Unit Trust annual report for the 12 months to 1 May 2023.

Performance Review

Over the review period, the accumulation units in the PUTM UK Stock Market Series 3 Unit Trust returned -1.97% (Source: State Street Global Advisors (SSGA) for 12 months to 01/05/23). Over the same period, the FTSE 250 (ex Invst Trust) Index returned -2.44% (Source: SSGA, FTSE 250 (ex Investment Trusts) Index for 12 months to 01/05/23).

In the table below, you can see how the Fund performed against its benchmark over the last five discrete one-year periods.

Standardised Past Performance

	May 22-23 % growth	May 21-22 % growth	May 20-21 % growth	May 19-20 % growth	May 18-19 % growth
PUTM UK Stock Market Series 3 Unit Trust	-1.97	-6.75	41.07	-17.30	-1.57
FTSE 250 (ex Invst Trust) Index	-2.44	-6.71	41.24	-17.22	-1.35

Source: Fund performance is SSGA to 1 May for each year. Prior to 2023, source is FactSet. Benchmark index performance is SSGA; FTSE 250 (ex Investment Trusts) Index, to 1 May for each year. Prior to 2023, source is FactSet.

Past performance is not a guide to future performance.

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.

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

Investment review

Market Review

The FTSE 250 Index, which contains smaller companies typically more focused on the domestic UK economy, finished lower over the 12-month period due to continued concerns about the outlook for growth. The index's performance was in marked contrast to the positive return generated by the FTSE 100 Index, which contains many multinational companies that benefited from a weaker pound over the first half of the period.

The UK economy continued to languish compared with those of other G7 countries. GDP edged up by only 0.1% over the fourth quarter of 2022, after a 0.1% contraction in output over the previous three months, meaning that a recession was only narrowly avoided. Moreover, annual GDP growth of 0.6% over the fourth quarter was the weakest figure since the 7.7% year-on-year contraction in the first three months of 2021.

Inflation loomed large on the UK economic landscape. The annual consumer inflation rate increased steadily, hitting a 41-year high of 11.1% in October, before it began to recede. The Bank of England reacted to surging inflation with successive interest-rate rises, taking its base rate from 0.25% at the start of 2022 to 3.50% by the calendar year's end. In 2023, the Bank increased its base rate by 0.50% in February and 0.25% in March. In part due to surging food prices, UK inflation has remained stubbornly high, despite 11 straight interest-rate rises.

Market Outlook

The sharp market falls in March were a reminder that a period of rapidly rising rates brings with it a new set of challenges to various business models. The market reaction to bank failures in the US indicated the high level of uncertainty currently present in many investors' minds. Tightening credit and the ongoing squeeze on consumer spending from high inflation remain important factors, but predicting how macroeconomic conditions will evolve is, as ever, close to impossible. However, we have been reassured to see continued progress as companies have reported, and we have even seen a sense of optimism emerge among company leaders. The valuation of the UK market in aggregate remains attractive against global indices.

Portfolio of investments (unaudited)

Investments held at 1 May 2023

Holding	Investment	Market value £	Percentage of total net assets %
	United Kingdom (01/05/22 – 87.16%)		88.68
	Aerospace & Defence (01/05/22 – 1.92%)		1.41
19,676	Chemring Group	55,388	0.34
34,742	QinetiQ	127,364	0.78
29,830	Senior	47,788	0.29
	Alternative Energy (01/05/22 – 0.28%)		0.34
12,738	Volution Group	55,334	0.34
	Automobiles & Parts (01/05/22 – 0.40%)		1.11
18,300	Aston Martin Lagonda Global Holdings	43,627	0.27
89,000	Dowlais Group	116,679	0.71
21,373	TI Fluid Systems	21,971	0.13
	Banks (01/05/22 – 0.95%)		1.79
2,589	Bank of Georgia Group	78,317	0.48
3,618	TBC Bank Group	85,023	0.52
83,936	Virgin Money	130,017	0.79
	Beverages (01/05/22 – 0.83%)		1.19
6,426	Barr (A.G.)	32,451	0.20
17,942	Britvic	162,913	0.99
	Chemicals (01/05/22 – 2.72%)		1.11
39,700	Elementis	49,228	0.30
26,179	Synthomer	31,022	0.19
6,126	Victrex	101,263	0.62
	Construction & Materials (01/05/22 – 3.56%)		3.64
39,354	Balfour Beatty	150,804	0.92
15,600	Genuit Group	45,708	0.28
26,396	Ibstock	44,055	0.27
4,984	Keller	33,144	0.20
15,224	Marshalls Group	45,063	0.27
2,829	Morgan Sindall Group	47,697	0.29
18,724	Redrow	96,054	0.59
14,478	Travis Perkins	135,282	0.82
	Electricity (01/05/22 – 1.28%)		1.07
28,129	Drax Group	175,525	1.07
	Electronic & Electrical Equipment (01/05/22 – 3.36%)		4.27
20,343	Morgan Advanced Materials	60,724	0.37
3,633	Oxford Instruments	100,089	0.61
2,357	Renishaw	82,825	0.50
58,726	Rotork	190,390	1.16
7,186	Spectris	267,535	1.63
	Financial Services (01/05/22 – 9.06%)		10.05
20,416	AJ Bell	66,270	0.40
31,464	Ashmore Group	75,388	0.46
17,631	Bridgepoint Group	42,385	0.26
10,601	Close Brothers	95,356	0.58
16,156	Finabl	1,781	0.01
27,224	IG Group Holdings	198,735	1.21

Portfolio of investments (unaudited)

Investments held at 1 May 2023

Holding	Investment	Market value £	Percentage of total net assets %
	Financial Services (continued)		
19,653	Intermediate Capital Group	251,165	1.53
43,215	Investec	188,677	1.15
64,050	IP Group	35,484	0.22
4,444	Liontrust Asset Management	37,617	0.23
9,703	Molten Ventures	26,858	0.16
32,849	Network International	126,994	0.77
23,704	Ninety One	42,549	0.26
30,050	OSB Group	149,228	0.91
15,960	Paragon	79,162	0.48
19,000	Petershill Partners	31,616	0.19
95,754	Quilter	80,098	0.49
4,114	Rathbones Group	79,976	0.49
17,975	Vanquis Banking	40,354	0.25
	Fixed Line Telecommunications (01/05/22 – 0.70%)		0.83
51,809	Helios Towers	52,379	0.32
4,624	Telecom Plus	83,602	0.51
	Food & Drug Retailers (01/05/22 – 0.86%)		1.20
7,051	Greggs	197,146	1.20
	Food Producers (01/05/22 – 3.20%)		3.55
10,334	Bakkavör Group	9,838	0.06
3,595	Cranswick	114,105	0.69
5,598	Hilton Food Group	37,507	0.23
44,074	Premier Foods	55,004	0.34
55,826	SSP Group	142,133	0.87
27,567	Tate and Lyle	223,017	1.36
	Gas, Water & Multiutilities (01/05/22 – 2.85%)		0.97
18,624	Pennon Group	159,608	0.97
	General Industrials (01/05/22 – 0.63%)		1.00
106,854	Coats Group	82,598	0.50
14,662	Vesuvius	58,237	0.35
3,149	Videndum	24,405	0.15
	General Retailers (01/05/22 – 5.25%)		5.97
4,719	ASOS	34,534	0.21
69,834	Currys	39,247	0.24
7,861	Dunelm Group	89,301	0.54
25,621	Inchcape	205,480	1.25
134,453	Marks & Spencer	218,957	1.33
31,627	Pets at Home Group	120,942	0.74
16,408	Watches of Switzerland Group	136,515	0.83
8,788	WHSmith	136,302	0.83
	Healthcare Equipment & Services (01/05/22 – 2.05%)		1.08
26,984	Mediclinic International	134,164	0.82
19,276	Spire Healthcare Group	43,467	0.26

Portfolio of investments (unaudited)

Investments held at 1 May 2023

Holding	Investment	Market value £	Percentage of total net assets %
	Household Goods (01/05/22 – 2.43%)		2.68
8,628	Bellway	206,209	1.26
17,289	Crest Nicholson Holdings	45,678	0.28
24,322	Vistry Group	187,401	1.14
	Industrial Engineering (01/05/22 – 3.62%)		2.70
12,854	Bodycote	88,114	0.54
5,652	Hill and Smith	76,980	0.47
17,716	IMI	277,964	1.69
	Industrial Metals (01/05/22 – 0.17%)		0.13
19,264	Ferrexpo	21,133	0.13
	Industrial Transportation (01/05/22 – 0.62%)		1.10
1,806	Clarkson	55,986	0.34
49,594	International Distributions Services	124,878	0.76
	Leisure Goods (01/05/22 – 0.87%)		1.38
2,301	Games Workshop	226,073	1.38
	Life Insurance (01/05/22 – 0.34%)		0.35
66,758	Just Group	58,013	0.35
	Media (01/05/22 – 2.43%)		3.42
1,888	4imprint Group	85,904	0.52
29,270	Ascential	74,873	0.46
8,343	Future	93,191	0.57
258,007	ITV	205,993	1.25
37,341	Moneysupermarket.com	101,269	0.62
	Mining (01/05/22 – 0.13%)		
	Non-Equity Investment Instruments (01/05/22 – 0.28%)		0.24
30,209	Jupiter Fund Management	39,302	0.24
	Non-Life Insurance (01/05/22 – 2.19%)		0.93
89,600	Direct Line Insurance Group	152,230	0.93
	Oil & Gas Producers (01/05/22 – 2.45%)		2.20
21,700	Capricorn Energy	46,698	0.28
55,989	Diversified Gas & Oil	51,790	0.32
9,554	Energean Oil & Gas	115,890	0.71
48,471	Harbour Energy	117,057	0.71
6,000	Ithaca Energy	9,324	0.06
76,093	Tullow Oil	20,256	0.12
	Oil Equipment & Services (01/05/22 – 0.52%)		0.76
9,950	Hunting	22,835	0.14
45,437	John Wood Group	101,506	0.62
	Personal Goods (01/05/22 – 0.57%)		0.63
39,983	Dr Martens	67,291	0.41
18,083	PZ Cussons	36,528	0.22
	Pharmaceuticals & Biotechnology (01/05/22 – 1.56%)		4.76
7,596	Dechra Pharmaceuticals	281,812	1.72
4,701	Genus	124,012	0.76
11,373	Hikma Pharmaceuticals	210,173	1.28

Portfolio of investments (unaudited)

Investments held at 1 May 2023

Holding	Investment	Market value £	Percentage of total net assets %
	Pharmaceuticals & Biotechnology (continued)		
8,526	Invidor	130,022	0.79
17,108	PureTech Health	35,071	0.21
	Real Estate Investment & Services (01/05/22 – 3.83%)		2.73
10,600	CLS Holdings	13,992	0.09
51,156	Grainger	130,857	0.80
14,699	Great Portland REIT	77,096	0.47
9,436	Savills	89,406	0.54
91,846	Shaftesbury REIT	105,072	0.64
41,871	Target Healthcare	31,822	0.19
	Real Estate Investment Trusts (01/05/22 – 9.48%)		8.53
202,101	Assura REIT	100,889	0.61
11,905	Big Yellow REIT	142,860	0.87
7,896	Derwent London REIT	186,188	1.13
257,212	Hammerson	72,225	0.44
66,301	LondonMetric Property	125,309	0.76
107,034	LXi REIT	111,315	0.68
90,893	Primary Health Properties	95,347	0.58
14,893	Safestore Holdings REIT	145,281	0.88
87,133	Supermarket Income REIT	75,109	0.46
127,796	Tritax Big Box REIT	195,656	1.19
54,552	Tritax Euro Box REIT	35,077	0.21
31,092	Urban Logistics REIT	42,534	0.26
27,127	Warehouse REIT	28,972	0.18
10,101	Workspace Group REIT	46,707	0.28
	Software & Computer Services (01/05/22 – 4.20%)		3.69
18,101	Baltic Classifieds	28,708	0.17
13,666	Bytes Technology Group	56,605	0.34
5,453	Computacenter	125,092	0.76
29,558	Darktrace	82,023	0.50
5,720	FDM Group Holdings	38,667	0.24
6,556	Kainos Group	80,639	0.49
8,805	Softcat	116,490	0.71
31,528	Trainline	79,324	0.48
	Support Services (01/05/22 – 6.67%)		7.88
35,356	Babcock International	110,028	0.67
7,148	CMC Markets	12,781	0.08
9,123	Diploma	242,489	1.48
6,490	Discoverie Group	53,997	0.33
20,458	Essentra	41,427	0.25
108,172	Hays	121,910	0.74
36,995	Howden Joinery Group	248,384	1.51
20,748	IntegraFin Holdings	56,020	0.34
94,314	Mitie Group	87,806	0.53
21,012	PageGroup	94,512	0.58
16,714	Redde Northgate	62,343	0.38
80,806	Serco Group	122,098	0.74
9,772	SThree	40,700	0.25

Portfolio of investments (unaudited)

Investments held at 1 May 2023

Holding	Investment	Market value £	Percentage of total net assets %
	Technology Hardware & Equipment (01/05/22 – 0.79%)		0.76
5,782	Auction Technology	40,590	0.25
42,213	Spirent Communications	75,224	0.46
9,006	W. A. G. Payment Solutions	8,682	0.05
	Travel & Leisure (01/05/22 – 4.11%)		3.23
9,899	Carnival	62,859	0.38
26,866	Domino's Pizza	77,965	0.47
44,849	easyJet	218,863	1.33
48,212	FirstGroup	53,178	0.32
17,896	Mitchells & Butlers	30,853	0.19
38,180	National Express	45,587	0.28
6,037	Wetherspoon (JD)	42,289	0.26
	Bermuda (01/05/22 – 1.52%)		0.62
	Non-Life Insurance (01/05/22 – 1.52%)		0.62
16,736	Lancashire Holdings	101,169	0.62
	Canada (01/05/22 – 0.01%)		
	Mining (01/05/22 – 0.01%)		
	Channel Islands (01/05/22 – 5.47%)		4.84
	Equity Investment Instruments (01/05/22 – 0.24%)		0.16
49,482	UK Commercial Property Trust	26,473	0.16
	Financial Services (01/05/22 – 2.42%)		2.17
9,373	JTC	74,094	0.45
86,218	Man Group	192,525	1.17
54,062	TP ICAP Group	90,986	0.55
	Mining (01/05/22 – 0.36%)		0.52
81,216	Centamin	84,627	0.52
	Real Estate Investment & Services (01/05/22 – 0.72%)		0.54
34,399	BMO Commercial Property Trust	28,242	0.17
76,529	Sirius Real Estate	59,999	0.37
	Support Services (01/05/22 – 0.66%)		0.51
50,434	International Workplace Group	84,023	0.51
	Travel & Leisure (01/05/22 – 1.07%)		0.94
5,224	Wizz Air Holdings	154,056	0.94
	Germany (01/05/22 – 0.90%)		0.70
	Travel & Leisure (01/05/22 – 0.90%)		0.70
22,797	TUI AG	114,167	0.70
	Ireland (01/05/22 – 1.29%)		1.00
	Beverages (01/05/22 – 0.30%)		0.25
27,160	C&C Group	41,663	0.25
	Food Producers (01/05/22 – 0.22%)		
	Support Services (01/05/22 – 0.77%)		0.75
14,544	Grafton Group	123,377	0.75

Portfolio of investments (unaudited)

Investments held at 1 May 2023

Holding	Investment	Market value £	Percentage of total net assets %
	Isle of Man (01/05/22 – 0.58%)		0.71
	Software & Computer Services (01/05/22 – 0.58%)		0.71
20,472	Playtech	117,305	0.71
	Israel (01/05/22 – 0.56%)		0.65
	Financial Services (01/05/22 – 0.56%)		0.65
6,395	Plus500	106,732	0.65
	Netherlands (01/05/22 – 0.23%)		0.26
	Construction & Materials (01/05/22 – 0.23%)		0.26
1,938	RHI Magnesita	43,024	0.26
	Singapore (01/05/22 – 0.18%)		
	Electronic & Electrical Equipment (01/05/22 – 0.18%)		
	Portfolio of investments	<u>16,005,226</u>	<u>97.46</u>
	Net other assets	<u>417,879</u>	<u>2.54</u>
	Net assets	<u>16,423,105</u>	<u>100.00</u>

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

Top ten purchases and sales

For the year ended 1 May 2023

Purchases	Cost	Sales	Proceeds
	£		£
Harbour Energy	297,935	Harbour Energy	345,523
Intermediate Capital Group	225,856	Centrica	313,340
Howden Joinery Group	221,157	Beazley	306,323
Dechra Pharmaceuticals	214,711	Weir Group	300,424
Standard Life Aberdeen	212,917	Hiscox	291,870
ITV	197,307	Johnson Matthey	280,943
International Distributions Services	176,742	Standard Life Aberdeen	272,035
Hikma Pharmaceuticals	144,615	Convatec Group	270,514
Supermarket Income REIT	125,539	Unite Group	234,257
Vistry Group	118,090	Homeserve	223,817
Subtotal	<u>1,934,869</u>	Subtotal	<u>2,839,046</u>
Other purchases	<u>3,195,802</u>	Other sales	<u>3,218,415</u>
Total purchases for the year	<u>5,130,671</u>	Total sales for the year	<u>6,057,461</u>

Statistical information

Comparative table

	01/05/23 pence	Accumulation 01/05/22 pence	01/05/21 pence
Change in net assets per unit			
Opening net asset value per unit	626.27	664.40	466.53
Return before operating charges*	(22.59)	(37.47)	198.34
Operating charges	(0.77)	(0.66)	(0.47)
Return after operating charges*	(23.36)	(38.13)	197.87
Distributions on accumulation units	(18.05)	(14.69)	(9.61)
Retained distributions on accumulation units	18.05	14.69	9.61
Closing net asset value per unit	602.91	626.27	664.40
*after direct transaction costs of: ^	0.96	0.78	0.67

Performance

Return after charges	(3.73%)	(5.74%)	42.41%
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Other information

Closing net asset value (£000)	16,423	18,618	22,288
Closing number of units	2,723,992	2,972,882	3,354,520
Operating charges	0.14%	0.10%	0.08%
Direct transaction costs	0.16%	0.11%	0.12%

Prices⁺

Highest unit price (pence)	635.60	733.80	672.60
Lowest unit price (pence)	503.30	561.20	439.80

^The direct transaction costs includes commission on futures.

+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.

Statistical information

Investment objective

The Fund aims to provide a total return (a combination of capital growth and income) by delivering an overall return in line with the FTSE 250 (ex IT) Index (the "Index") before fees.

Investment policy

The Fund will seek to physically replicate the Index, which consists of a diversified portfolio of UK equities. This process will involve investing in components of the Index, though not necessarily in the same proportions of the Index at all times. Consequently, the Fund may not track the Index exactly but will contain a meaningful exposure to the market. Stock index futures contracts may also be used to manage the cash portion of the Fund. It is intended that the Fund will normally be close to fully invested as outlined above.

The Scheme may also invest in deposits, collective investment schemes, money market instruments and use derivative contracts.

Investment strategy

It is anticipated that for the Fund that in normal market conditions the tracking error of the Fund will be a maximum of 0.5%.

The tracking error measures the standard deviation of the relative returns. It is the annualised standard deviation of the returns of a fund minus those of its benchmark (relative returns) and not the standard deviation of each fund's unique returns. The lower the tracking error of a fund, the more the fund resembles its benchmark or the market regarding risk and return characteristics. Small differences in returns between the index-tracking fund and the index (and tracking error) are due to levels of cash, expenses and portfolio turnover.

Revenue distribution and pricing

Units of the Fund are available as 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 1 November and a final distribution as at 1 May.

At each distribution the net revenue after deduction of expenses, 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.

← Typically lower rewards, lower risk			Typically higher rewards, higher risk →			
1	2	3	4	5	6	7

This Fund is ranked at 6 (01/05/22: 6) because funds of this type have experienced high rises and falls in value in the past. Although this is a high risk ranking it is not the highest. The above figure applies to the following unit class:

- 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 risk(s) of investing in this Fund:

- The small differences in the returns between the index tracking Fund and the Index (and tracking error) are due to levels of cash, expenses and portfolio turnover.
- Counterparty Risk: the insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss.
- 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.

Annual financial statements

For the year ended 1 May 2023

Statement of total return

	Notes	01/05/23		01/05/22	
		£	£	£	£
Income					
Net capital losses	4		(1,255,748)		(1,498,987)
Revenue	5	545,215		496,635	
Expenses	6	(19,511)		(16,356)	
Interest payable and similar charges		(113)		(82)	
Net revenue before taxation		525,591		480,197	
Taxation	7	(13,033)		(11,026)	
Net revenue after taxation			512,558		469,171
Total deficit before distributions			(743,190)		(1,029,816)
Distributions	8		(512,557)		(469,172)
Change in unitholders' funds from investment activities			(1,255,747)		(1,498,988)

Statement of change in unitholders' funds

	01/05/23		01/05/22	
	£	£	£	£
Opening net assets		18,618,295		22,287,511
Amounts payable on cancellation of units	(1,442,526)		(2,616,699)	
		(1,442,526)		(2,616,699)
Change in unitholders' funds from investment activities		(1,255,747)		(1,498,988)
Retained distributions on accumulation units		503,083		446,471
Closing net assets		16,423,105		18,618,295

Annual financial statements

As at 1 May 2023

Balance sheet

	Notes	01/05/23		01/05/22	
		£	£	£	£
Assets:					
Fixed assets:					
Investments			16,005,226		18,226,868
Current assets:					
Debtors	9	122,749		112,866	
Cash and bank balances	10	317,904		292,809	
Total current assets			<u>440,653</u>		<u>405,675</u>
Total assets			<u>16,445,879</u>		<u>18,632,543</u>
Liabilities:					
Creditors:					
Bank overdraft	11	(1,383)		–	
Other creditors	12	<u>(21,391)</u>		<u>(14,248)</u>	
Total liabilities			<u>(22,774)</u>		<u>(14,248)</u>
Net assets			<u>16,423,105</u>		<u>18,618,295</u>
Unitholders' funds			<u>16,423,105</u>		<u>18,618,295</u>

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 12 noon on 28 April 2023, the last valuation point in the accounting year, in accordance with the Trust Deed.

(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 12 noon, 28 April 2023, the last valuation point in the accounting year.

(d) Revenue

Dividends receivable from equity investments are credited to revenue when they are first quoted ex-dividend. Interest receivable on bank deposits is accounted for on a receipts basis and money market funds is accounted for on an accruals basis.

(e) Special dividends

Special dividends are treated either as revenue or repayments of capital depending on the facts of each particular case. It is likely that where the receipt of a special dividend results in a significant reduction in the capital value of the holding, then the special dividend should be treated as capital in nature so as to ensure the matching principle is applied to gains and losses. Otherwise, the special dividend should be treated as revenue.

(f) Stock dividends

The ordinary element of stocks received in lieu of cash is recognised as revenue. Any excess in value of shares received over the amount of cash forgone would be treated as capital.

(g) Expenses

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

(h) Taxation

The charge for taxation is based on taxable income for the year less allowable expenses. UK dividends and franked distributions from UK collective investment schemes are disclosed net of any related tax credit.

Overseas dividends, unfranked distributions from UK collective investment schemes, and distributions from overseas collective investment schemes are disclosed gross of any tax suffered, the tax element being separately disclosed in the taxation note.

Notes to the financial statements

Note 1 Accounting policies (continued)

(i) 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 accumulated to unitholders.

The Fund is not more than 60% invested in qualifying investments (as defined by SI 2006/964, Reg 20) and will pay a dividend distribution.

(b) Unclaimed distributions

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

(c) Stock dividends

It is the policy of the Fund, where applicable, to distribute the revenue element of stock dividends.

(d) Special dividends

It is the policy of the Fund, where applicable, to distribute special dividends which have been treated as revenue.

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 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.

(b) Interest rate risk

The majority of the Fund's financial assets are equity shares and other investments which neither pay interest nor have a maturity date. Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates.

(c) Foreign currency risk

The Fund has no significant exposure to foreign currency risk.

Notes to the financial statements

Note 3 Risk management policies (continued)

(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) 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.

(f) 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.

There were no derivatives held at the year end.

Note 4 Net capital losses

The net capital losses during the year comprise:

	01/05/23	01/05/22
	£	£
Losses on non-derivative securities	(1,294,843)	(1,606,764)
Gains on derivative contracts	1,344	155
Currency gains/(losses)	175	(293)
Handling charges	(2,359)	(4,513)
Capital special dividends	39,935	112,428
Net capital losses	<u>(1,255,748)</u>	<u>(1,498,987)</u>

Note 5 Revenue

	01/05/23	01/05/22
	£	£
UK dividends	419,968	391,519
UK REIT property income distributions	64,852	49,182
Overseas dividends	56,203	55,875
Bank interest	4,192	59
Total revenue	<u>545,215</u>	<u>496,635</u>

Notes to the financial statements

Note 6 Expenses	01/05/23 £	01/05/22 £
(a) Payable to the Manager or associates of the Manager and agents of either of them:		
Manager's periodic charge	<u>2,497</u>	<u>3,532</u>
(b) Payable to the Trustee or associates of the Trustee and agents of either of them:		
Trustee's fees	<u>805</u>	<u>901</u>
(c) Other expenses:		
Audit fee	10,248	8,646
Safe custody charges	467	505
Printing & stationery	445	890
FCA fee	–	105
Professional fees	<u>5,049</u>	<u>1,777</u>
	<u>16,209</u>	<u>11,923</u>
Total expenses	<u>19,511</u>	<u>16,356</u>

Note 7 Taxation	01/05/23 £	01/05/22 £
(a) Analysis of tax charge for the year		
Corporation tax	9,884	6,561
Overseas withholding tax	3,031	3,670
Reclaimable tax written off	118	1,367
Windfall overseas tax recoveries	–	(572)
Total taxation (Note 7(b))	<u>13,033</u>	<u>11,026</u>
(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	<u>525,591</u>	<u>480,197</u>
Corporation tax at 20% (01/05/22: 20%)	105,118	96,039
Effects of:		
Revenue not subject to taxation	(95,234)	(89,478)
Overseas withholding tax	3,031	3,670
Reclaimable tax written off	118	1,367
Windfall overseas tax recoveries	–	(572)
Total tax charge for the year (Note 7(a))	<u>13,033</u>	<u>11,026</u>

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

- (c) Provision for deferred taxation
At 1 May 2023 the Fund had no potential deferred tax asset (01/05/22: £nil) in relation to surplus management expenses.

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:

	01/05/23 £	01/05/22 £
Interim	271,604	223,288
Final	231,479	223,183
	<u>503,083</u>	<u>446,471</u>
Amounts deducted on cancellation of units	9,474	22,701
Net distribution for the year	<u>512,557</u>	<u>469,172</u>
Net revenue after taxation	512,558	469,171
Movement of undistributed revenue	(1)	1
Net distribution for the year	<u>512,557</u>	<u>469,172</u>

Details of the distribution per unit are set out in the tables on page 24.

Note 9 Debtors

	01/05/23 £	01/05/22 £
Accrued income	117,270	108,363
Overseas tax recoverable	5,479	4,503
Total debtors	<u>122,749</u>	<u>112,866</u>

Note 10 Cash and bank balances

	01/05/23 £	01/05/22 £
Cash and bank balances	<u>317,904</u>	<u>292,809</u>
Total cash and bank balances	<u>317,904</u>	<u>292,809</u>

Note 11 Bank overdraft

	01/05/23 £	01/05/22 £
Amounts due to futures clearing houses	(1,383)	–
Total bank overdraft	<u>(1,383)</u>	<u>–</u>

Note 12 Other creditors

	01/05/23 £	01/05/22 £
Manager's periodic charge payable	414	240
Trustee's fees payable	141	153
Safe custody charges payable	239	(137)
Audit fee payable	8,784	7,320
FCA fee payable	–	219
Handling charges payable	2,043	(107)
Corporation tax payable	9,770	6,560
Total other creditors	<u>21,391</u>	<u>14,248</u>

Note 13 Reconciliation of units

	Accumulation
Opening units issued at 02/05/22	2,972,882
Unit movements in year:	
Units cancelled	(248,890)
Closing units at 01/05/23	<u>2,723,992</u>

Notes to the financial statements

Note 14 Contingencies and commitments

At 1 May 2023 the Fund had no outstanding calls on partly paid shares, no potential underwriting commitments or any other contingent liabilities (01/05/22: £nil).

Note 15 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 100% of the units at the year end (01/05/22: 100%).

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 Statement of change in unitholders' funds and Note 8.

Any balances due to/from the Manager or its associates at 1 May 2023 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.

Counterparty exposure

There was no counterparty exposure held at the year end.

Interest profile

At the year end date, 1.94% (01/05/22: 1.57%) of the Fund's net assets by value were interest bearing.

Interest rates earned/paid on deposits are earned/paid at a rate linked to SONIA (Sterling Overnight Index Average) or international equivalent.

Sensitivity analysis

Interest rate risk sensitivity

As the majority of the Fund's financial assets are non-interest bearing, the Fund is only subject to limited exposure to fair value interest rate risk due to fluctuations in levels of market interest rates and therefore, no sensitivity analysis has been provided.

Foreign currency risk sensitivity

As the majority of the Fund's financial assets are in the base currency of the Fund (Sterling), the Fund is only subject to limited exposure to fluctuations in foreign currency and therefore, no sensitivity analysis has been provided.

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 £800,261 (01/05/22: £911,343). A five percent decrease would have an equal and opposite effect.

Notes to the financial statements

Note 17 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.

- 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 01/05/23

Level	1	2	3	Total
Investment assets	£	£	£	£
Equities	16,003,445	–	1,781	16,005,226
	16,003,445	–	1,781	16,005,226

For the year ended 01/05/22

Level	1	2	3	Total
Investment assets	£	£	£	£
Equities	18,226,868	–	–	18,226,868
	18,226,868	–	–	18,226,868

Note 18 Portfolio transaction costs

For the year ended 01/05/23

	Value	Commission		Taxes		Other expenses		Total costs
Analysis of total purchases costs	£	£	%	£	%	£	%	£
Equity transactions	4,869,815	687	0.01	18,817	0.39	4,537	0.09	4,893,856
Corporate actions	236,815	–	–	–	–	–	–	236,815
Total	5,106,630	687		18,817		4,537		5,130,671

	Value	Commission		Taxes		Other expenses		Total costs
Analysis of total sales costs	£	£	%	£	%	£	%	£
Equity transactions	5,406,874	(781)	(0.01)	(24)	–	(50)	–	5,406,019
Corporate actions	651,442	–	–	–	–	–	–	651,442
Total	6,058,316	(781)		(24)		(50)		6,057,461

The Fund has paid £2,286 as commission on purchases and sales of derivatives transactions for the year ended 01.05.23.

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

Commission	0.02%
Taxes	0.11%
Other expenses	0.03%

Notes to the financial statements

Note 18 Portfolio transaction costs (continued)

For the year ended 01/05/22

	Value	Commission		Taxes		Other expenses		Total costs
Analysis of total purchases costs	£	£	%	£	%	£	%	£
Equity transactions	4,801,433	816	0.02	19,393	0.40	3,240	0.06	4,824,882
Pooled Investment Vehicle	6,646	1	0.02	–	–	–	–	6,647
Corporate actions	130,719	–	–	–	–	–	–	130,719
Total	4,938,798	817		19,393		3,240		4,962,248

	Value	Commission		Taxes		Other expenses		Total costs
Analysis of total sales costs	£	£	%	£	%	£	%	£
Equity transactions	6,839,455	(1,005)	(0.01)	(4)	0.00	(29)	0.00	6,838,417
Pooled Investment Vehicle	7,002	(1)	(0.01)	–	–	–	–	7,001
Corporate actions	286,626	–	–	–	–	–	–	286,626
Total	7,133,083	(1,006)		(4)		(29)		7,132,044

The Fund has paid £13 as commission on purchases and sales of derivatives transactions for the year ended 01.05.22.

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

Commission	0.01%
Taxes	0.09%
Other expenses	0.01%

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 0.24% (01/05/22: 0.19%) being the difference between the respective bid and offer prices for the Fund's investments.

Note 19 Post Balance sheet events

As indicated in the accounting policies in Note 1(b), the investments have been valued at 12 noon on 30 April 2023. Since the balance sheet date, the bid price of each of the Fund's share classes have moved as follows:

	Bid Price 01.05.23 pence	Bid Price 22.08.23 pence	Movement (%)
Accumulation	602.91	572.09	-5.11

Distribution tables

For the year ended 1 May 2023

Interim distribution in pence per unit

Group 1: units purchased prior to 2 May 2022

Group 2: units purchased 2 May 2022 to 1 November 2022

	Net income	Equalisation	2023 pence per unit paid 1 Jan	2022 pence per unit paid 1 Jan
Accumulation				
Group 1	9.5512	—	9.5512	7.1846
Group 2	9.5512	0.0000	9.5512	7.1846

Final distribution in pence per unit

Group 1: units purchased prior to 2 November 2022

Group 2: units purchased 2 November 2022 to 1 May 2023

	Net income	Equalisation	2023 pence per unit payable 1 Jul	2022 pence per unit paid 1 Jul
Accumulation				
Group 1	8.4978	—	8.4978	7.5073
Group 2	8.4978	0.0000	8.4978	7.5073

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.

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 UK Stock Market Fund (Series 3) 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.

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 UK Stock Market Fund (Series 3) ("the Trust") for the Period Ended 01 May 2023.

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
29 August 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.

29 August 2023

Craig Baker, Director
Brid Meaney, Director

Independent auditor's report to the unitholders of the PUTM UK Stock Market Fund (Series 3)

Opinion

We have audited the financial statements of the PUTM UK Stock Market Fund (Series 3) ("the Fund") for the year ended 1 May 2023 which comprise the Statement of Total Return, the Statement of Change in Net Assets attributable to Unitholders, 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 1 May 2023 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.

Independent auditor's report to the unitholders of the PUTM UK Stock Market Fund (Series 3)

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 25, 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.

Independent auditor's report to the unitholders of the PUTM UK Stock Market Fund (Series 3)

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. We identified a fraud risk with respect to the incomplete or inaccurate income recognition through incorrect classification of special dividends and the resulting impact to amounts available for distribution. We tested appropriateness of management's classification of material special dividends as either a capital or revenue return.
- 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
29 August 2023

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.

Unit prices appear daily on our website 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. 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.

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 2022

	Headcount	Total remuneration
Phoenix Unit Trust Managers	2	99,305.63
of which		
Fixed Remuneration	2	65,211.04
Variable Remuneration	1	34,094.59
Carried Interest	n/a	
Highest paid Director's Remuneration		39,922.40

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.

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 UK Stock Market Fund (Series 3) Unit Trust. This has been performed based on the information available as at 1 May 2023.

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 can confirm that the Fund meets all of 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;
<http://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.

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

Brid Meaney PUTM Director, Chief Executive
Phoenix Life;

Craig Baker PUTM Director, Head of
Policyholder Assets;

Timothy Harris Non Executive Director of PUTM;

Nick Poyntz-Wright 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

Abrdn Investment Management 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.

Investment Manager

State Street Global Advisors Limited
20 Churchill Place
Canary Wharf
London E14 5HJ
Authorised and regulated by the Financial Conduct Authority.

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**

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.