

PHOENIX UNIT TRUST MANAGERS

## MANAGER'S ANNUAL REPORT

For the year: 1 February 2022 to 31 January 2023

PUTM BOTHWELL STERLING GOVERNMENT BOND FUND





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

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# Investment review

## Dear Investor

Welcome to the PUTM Bothwell Sterling Government Bond Fund annual report for the 12 months to 31 January 2023.

## Performance Review

The PUTM Bothwell Sterling Government Bond Fund delivered -18.78% over the review period. (Source: Factset). This is compared to its benchmark index, which returned -18.76%. (Source: Factset, FTSE Actuaries UK Conventional Gilts All Stocks Index, Total Return in GBP terms for 12 months to 31/01/23).

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

## Standardised Past Performance

	Jan 22-23 % growth	Jan 21-22 % growth	Jan 20-21 % growth	Jan 19-20 % growth	Jan 18-19 % growth
<b>PUTM Bothwell Sterling Government Bond Fund</b>	-18.78	-7.25	2.8	9.5	3.7
<b>Benchmark Index</b>	-18.76	-7.23	2.8	9.5	3.7

Source: Fund performance is Standard Life Investments. Benchmark Index performance is Datastream, FTSE Government All Maturities Index, Total Return in GBP terms to 31 January for each year.

## 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.**

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# Investment review

## Market Review

The review period has been a difficult one for government bonds. There have been significant swings in the market. Bond prices came under pressure as global central banks, including the Bank of England (BoE), took an increasingly hawkish stance.

Over the first quarter of 2022, major developed markets experienced one of their weakest quarters in decades. Ten-year yields in the US, UK and EU rose by 0.83%, 0.64% and 0.72%, respectively. The outbreak of war in Ukraine has cast a shadow over future global economic activity. In the UK, the BoE's Monetary Policy Committee (MPC) communication increasingly focused on the need to move quicker towards neutral rates, which most members saw around 1.5%. Yet the market pricing for policy rates surged, ending the quarter around 2.25%. In the second quarter, bonds sold off aggressively, while UK 10-year yields rose dramatically, capping off a truly exceptional first half of the year.

During the third quarter of 2022, there was unprecedented volatility and weakness in UK government bonds (Gilts). Between the start of July and the end of September, the 10-year Gilt yield rose by 1.86 percentage points. September proved particularly difficult for the UK bond market. The appointment of Liz Truss as Prime Minister was swiftly followed by a mini budget, leading to market turmoil. It prompted a wave of selling in bond markets, driving Gilt yields higher as the 10-year Gilt yield jumped above 4%. After extreme pressure on real and nominal longer-dated Gilt markets, the BoE was obliged to step in to limit the damage. All told, it was the worst quarter ever for Gilts. They returned 14%, leaving the asset class down 26.6% in the year-to-date.

Volatility continued during the fourth quarter. In reaction to September's Gilt market turmoil, the BoE widened the scope of daily Gilt-buying operations to include inflation-linked government bonds. Gilts recovered some lost ground in October and November, outperforming other core government bond market peers, before weakening again in December in tandem with other global fixed income markets. Amid the political chaos, the BoE lifted rates by 75 basis points (bps) in November and a further 50bps in December, taking the cash rate to 3.5%. Total returns for the calendar year were down 23.83% – a humbling and unforgettable year for UK government bonds.

Yields fell in January, as inflation data showed decelerating price rises across major economies. The UK's Consumer Price Index rose 10.5% year on year in December, slightly down from 10.7% in November. In economic data, the International Monetary Fund raised its global growth forecast for 2023. The report noted that the risk of a global recession has waned. However, the UK's economic outlook was the weakest of any G7 country, due to higher taxes, rising interest rates and elevated energy costs.

## Fund Review

The Fund performed in line with its benchmark over the 12-month period in question. Tracking error was negligible/minimal.

Fund activity was restricted to managing cash inflows and outflows, matching index events and portfolio rebalancing. All activity was undertaken to ensure that Fund returns were in line with the benchmark, as per the objective. No active risk positions were taken.

## Market Outlook

UK government bonds contended with aggressive monetary policy tightening amid a backdrop of elevated inflation and suffered deeply negative total returns in 2022. They enter 2023 in an altogether different position. Nominal government bond yields are at their most attractive levels for more than a decade, and with most economists forecasting recession, they potentially offer protection to investors looking for defensive assets and portfolio diversification. Nevertheless, we recognise that there are potential factors that may support nominal government bond yields remaining around current levels or potentially climbing modestly higher. Government bond yields are likely to remain volatile, but trade within a narrower range than 2022.

## Portfolio of investments (unaudited)

### Investments held at 31 January 2023

Holding	Investment	Market value £000	Percentage of total net assets %
	<b>Government Bonds (31/01/2022 - 99.48%)</b>		<b>99.18</b>
£14,014,100	UK Treasury 0.125% 31/01/2024	13,543	2.13
£14,647,407	UK Treasury 0.125% 30/01/2026	13,393	2.11
£12,643,100	UK Treasury 0.125% 31/01/2028	10,838	1.71
£15,834,500	UK Treasury 0.25% 31/01/2025	14,836	2.34
£17,421,800	UK Treasury 0.25% 31/07/2031	13,462	2.12
£13,475,700	UK Treasury 0.375% 22/10/2026	12,114	1.91
£16,479,400	UK Treasury 0.375% 22/10/2030	13,235	2.08
£8,076,000	UK Treasury 0.5% 31/01/2029	6,841	1.08
£9,620,100	UK Treasury 0.5% 22/10/2061	3,560	0.56
£18,991,100	UK Treasury 0.625% 07/06/2025	17,899	2.82
£14,918,000	UK Treasury 0.625% 31/07/2035	10,522	1.66
£12,903,800	UK Treasury 0.625% 22/10/2050	6,087	0.96
£13,337,800	UK Treasury 0.75% 22/07/2023	13,169	2.07
£18,532,900	UK Treasury 0.875% 22/10/2029	15,897	2.50
£6,308,600	UK Treasury 0.875% 31/07/2033	4,878	0.77
£9,472,900	UK Treasury 0.875% 31/01/2046	5,279	0.83
£15,369,400	UK Treasury 1% 22/04/2024	14,921	2.35
£15,798,400	UK Treasury 1% 31/01/2032	12,895	2.03
£6,541,400	UK Treasury 1.125% 31/01/2039	4,495	0.71
£4,042,160	UK Treasury 1.125% 22/10/2073	1,835	0.29
£16,178,900	UK Treasury 1.25% 22/07/2027	14,866	2.34
£14,457,847	UK Treasury 1.25% 22/10/2041	9,604	1.51
£12,200,300	UK Treasury 1.25% 31/07/2051	6,953	1.10
£17,623,300	UK Treasury 1.5% 22/07/2026	16,634	2.62
£10,512,646	UK Treasury 1.5% 22/07/2047	6,719	1.06
£4,335,500	UK Treasury 1.5% 31/07/2053	2,601	0.41
£15,660,800	UK Treasury 1.625% 22/10/2028	14,370	2.26
£10,357,400	UK Treasury 1.625% 22/10/2054	6,384	1.01
£10,320,400	UK Treasury 1.625% 22/10/2071	5,885	0.93
£13,404,000	UK Treasury 1.75% 07/09/2037	10,484	1.65
£12,424,100	UK Treasury 1.75% 22/01/2049	8,332	1.31
£12,599,367	UK Treasury 1.75% 22/07/2057	7,969	1.26
£17,327,000	UK Treasury 2% 07/09/2025	16,810	2.65
£14,267,000	UK Treasury 2.25% 07/09/2023	14,161	2.23
£8,433,962	UK Treasury 2.5% 22/07/2065	6,464	1.02
£15,133,479	UK Treasury 2.75% 07/09/2024	14,969	2.36
£11,759,191	UK Treasury 3.25% 22/01/2044	10,827	1.71
£12,217,980	UK Treasury 3.5% 22/01/2045	11,664	1.84
£8,610,084	UK Treasury 3.5% 22/07/2068	8,462	1.33
£10,214,709	UK Treasury 3.75% 22/07/2052	10,249	1.61
£10,811,518	UK Treasury 4% 22/01/2060	11,631	1.83
£13,180,400	UK Treasury 4.25% 07/12/2027	13,771	2.17
£16,562,619	UK Treasury 4.25% 07/06/2032	17,777	2.80
£13,703,900	UK Treasury 4.25% 07/03/2036	14,611	2.30
£10,057,243	UK Treasury 4.25% 07/09/2039	10,668	1.68

## Portfolio of investments (unaudited)

### Investments held at 31 January 2023

Holding	Investment	Market value £000	Percentage of total net assets %
<b>Government Bonds (continued)</b>			
£11,596,903	UK Treasury 4.25% 07/12/2040	12,305	1.94
£10,858,916	UK Treasury 4.25% 07/12/2046	11,603	1.83
£9,152,803	UK Treasury 4.25% 07/12/2049	9,869	1.55
£11,380,072	UK Treasury 4.25% 07/12/2055	12,553	1.98
£14,983,900	UK Treasury 4.5% 07/09/2034	16,426	2.59
£11,642,135	UK Treasury 4.5% 07/12/2042	12,808	2.02
£17,407,861	UK Treasury 4.75% 07/12/2030	19,185	3.02
£10,709,655	UK Treasury 4.75% 07/12/2038	12,029	1.89
£14,475,000	UK Treasury 5% 07/03/2025	14,986	2.36
£7,927,878	UK Treasury 6% 07/12/2028	9,040	1.42
£2,450,700	UK Treasury 3.5% 22/10/2025	2,452	0.39
£3,324,200	UK Treasury 3.75% 29/01/2038	3,330	0.52
£2,731,427	UK Treasury 3.75% 22/10/2053	2,735	0.43
£7,555,700	UK Treasury 4.125% 29/01/2027	7,742	1.22
<b>Money Markets (31/01/22 - 0.19%)</b>		<b>1.16</b>	
£7,393	Aberdeen Standard Liquidity Fund (Lux) – Seabury Sterling 3 Fund Class Z-1~	7,390	1.16
<b>Portfolio of investments</b>		<b>637,017</b>	<b>100.34</b>
<b>Net other liabilities</b>		<b>(2,171)</b>	<b>(0.34)</b>
<b>Net assets</b>		<b>634,846</b>	<b>100.00</b>

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.

~SICAV (open ended investment scheme registered outside the UK).

Credit Ratings	£000	%
Investment grade	629,627	99.18
Total investment in bonds	629,627	99.18

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## Top ten purchases and sales

For the year ended 31 January 2023

<b>Purchases</b>	<b>Cost £000</b>	<b>Sales</b>	<b>Proceeds £000</b>
Aberdeen Standard Liquidity Fund (Lux) –		Aberdeen Standard Liquidity Fund (Lux) –	
Seabury Sterling 3 Fund Class Z-1	62,646	Seabury Sterling 3 Fund Class Z-1	56,610
UK Treasury 1% 31/01/2032	13,459	UK Treasury 4% 07/03/2022	15,178
UK Treasury 0.25% 31/01/2025	11,111	UK Treasury 0.125% 31/01/2023	11,916
UK Treasury 4.125% 29/01/2027	7,703	UK Treasury 1.75% 07/09/2022	11,803
UK Treasury 0.5% 31/01/2029	5,313	UK Gilt 0.5% 22/07/2022	11,591
UK Treasury 1.25% 31/07/2051	4,619	UK Treasury 1.75% 22/01/2049	1,087
UK Treasury 0.375% 22/10/2026	4,346	UK Treasury 4.25% 07/12/2055	981
UK Treasury 3.75% 29/01/2038	3,340	UK Treasury 0.625% 31/07/2035	942
UK Treasury 1.125% 22/10/2073	3,064	UK Treasury 4.25% 07/12/2049	558
UK Treasury 3.75% 22/10/2053	2,760	UK Treasury 3.5% 22/07/2068	537
<b>Subtotal</b>	<b>118,361</b>	<b>Subtotal</b>	<b>111,203</b>
<b>Other purchases</b>	<b>67,025</b>	<b>Other sales</b>	<b>3,822</b>
<b>Total purchases for the year</b>	<b>185,386</b>	<b>Total sales for the year</b>	<b>115,025</b>



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# Statistical information

## Comparative tables

	31/01/23 pence	Class 'A' Accumulation 31/01/22 pence	31/01/21 pence
<b>Change in net assets per unit</b>			
Opening net asset value per unit	172.91	188.28	185.10
Return before operating charges*	(32.44)	(13.50)	5.18
Operating charges	(1.56)	(1.87)	(2.00)
Return after operating charges*	(34.00)	(15.37)	3.18
Distributions on accumulation units	(0.27)	–	–
Retained distributions on accumulation units	0.27	–	–
Closing net asset value per unit	138.91	172.91	188.28
*after direct transaction costs of:	0.00	0.00	0.00

## Performance

Return after charges	(19.66)%	(8.16)%	1.72%
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## Other information

Closing net asset value (£000)	44,849	50,328	51,432
Closing number of units	32,286,434	29,106,351	27,316,288
Operating charges	1.04%	1.03%	1.05%
Direct transaction costs	0.00%	0.00%	0.00%

## Prices<sup>+</sup>

Highest unit price (pence)	188.47	202.58	211.80
Lowest unit price (pence)	124.04	172.91	178.94

<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.

# Statistical information

## Comparative tables

	31/01/23 pence	Class 'B' Accumulation 31/01/22 pence	31/01/21 pence
<b>Change in net assets per unit</b>			
Opening net asset value per unit	194.87	209.99	204.35
Return before operating charges*	(36.69)	(15.09)	5.70
Operating charges	(0.03)	(0.03)	(0.06)
Return after operating charges*	(36.72)	(15.12)	5.64
Distributions on accumulation units	(2.06)	(1.87)	(2.04)
Retained distributions on accumulation units	2.06	1.87	2.04
Closing net asset value per unit	158.15	194.87	209.99
*after direct transaction costs of:	0.00	0.00	0.00

## Performance

Return after charges	(18.84)%	(7.20)%	2.76%
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## Other information

Closing net asset value (£000)	589,997	671,091	668,417
Closing number of units	373,058,297	344,384,927	318,304,977
Operating charges	0.02%	0.01%	0.03%
Direct transaction costs	0.00%	0.00%	0.00%

## Prices<sup>+</sup>

Highest unit price (pence)	197.73	210.68	217.73
Lowest unit price (pence)	140.74	194.68	198.08

<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) delivering an overall return in line with the benchmark before fees and expenses.

The benchmark is the FTSE Actuaries UK Conventional Gilts All Stocks Index (the "Index").

## Investment policy

It will seek to achieve this objective by investing a minimum of 90% in fixed income securities of companies that are constituents of the index in approximate proportion to their weighting in the index. The Fund is not permitted to invest overseas. These securities will almost exclusively be debt securities issued by the UK Government. From time to time, the Fund may acquire or hold securities that are not constituents of the Index, as a result of new components entering the index, or existing components exiting the index.

The Fund may also invest in other transferable securities, which are non-approved securities (essentially unlisted securities), money market instruments, deposits, cash and near cash and other collective investment schemes.

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

## Investment strategy

A minimum of 90% of the Fund is invested in components of the Index. The Fund will seek to physically replicate the Index. 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 Investment Advisor may use various indexation or sampling techniques to achieve the objective of tracking the Index. In doing so the Investment Advisor may use discretion in deciding which investments are to be included in the portfolio. The number of investments so included may vary. The Investment Advisor may at its discretion replace the current Index with such similar index as it may consider appropriate, subject to regulatory approval and appropriate notification to Unitholders.

## Revenue distribution and pricing

Units of the Fund are available as either Class 'A' or '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 July and a final distribution as at 31 January.

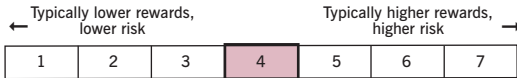
At each distribution the net revenue after deduction of expenses, from the investments of the Fund, is apportioned amongst the unitholders. Unitholders receive a tax voucher giving details of the distribution and the Manager's Report no later than two months after these dates.

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# 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 (31/01/22: 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 classes:

- Class 'A' Accumulation
- 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 risk(s) 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 Sterling, 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 31 January 2023

## Statement of total return

	Notes	31/01/23		31/01/22	
		£000	£000	£000	£000
Income					
Net capital losses	4		(146,210)		(59,894)
Revenue	5	7,954		6,909	
Expenses	6	(572)		(654)	
Interest payable and similar charges		(1)		(1)	
Net revenue before taxation		7,381		6,254	
Taxation	7	–		–	
Net revenue after taxation			7,381		6,254
Total deficit before distributions			(138,829)		(53,640)
Distributions	8		(7,393)		(6,329)
Change in net assets attributable to unitholders from investment activities			<u>(146,222)</u>		<u>(59,969)</u>

## Statement of change in net assets attributable to unitholders

	31/01/23		31/01/22	
	£000	£000	£000	£000
Opening net assets attributable to unitholders		721,419		719,849
Amounts receivable on issue of units	61,791		87,847	
Amounts payable on cancellation of units	<u>(9,717)</u>		<u>(32,694)</u>	
		52,074		55,153
Change in net assets attributable to unitholders from investment activities		(146,222)		(59,969)
Retained distributions on accumulation units		7,575		6,386
Closing net assets attributable to unitholders		<u>634,846</u>		<u>721,419</u>

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# Annual financial statements

As at 31 January 2023

## Balance sheet

	Notes	31/01/23		31/01/22	
		£000	£000	£000	£000
<b>Assets:</b>					
<b>Fixed assets:</b>					
Investments			637,017		719,073
<b>Current assets:</b>					
Debtors	9	14,248		3,305	
Cash and bank balances	10	–		–	
Total current assets			<u>14,248</u>		<u>3,305</u>
Total assets			<u>651,265</u>		<u>722,378</u>
<b>Liabilities:</b>					
<b>Creditors:</b>					
Bank overdraft	11	(37)		–	
Other creditors	12	<u>(16,382)</u>		<u>(959)</u>	
Total creditors			<u>(16,419)</u>		<u>(959)</u>
Total liabilities			<u>(16,419)</u>		<u>(959)</u>
Net assets attributable to unitholders			<u>634,846</u>		<u>721,419</u>

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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 31 January 2023, 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.

### **(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, 31 January 2023, 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.

### **(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.

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# Notes to the financial statements

## (Note 1 Accounting policies (continued))

### (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) Apportionment to multiple unit classes

With the exception of the Manager's periodic charge, the allocation of revenue and expenses to each unit class is based upon the proportion of the Fund's assets attributable to each unit class on the day the revenue is earned or the expense is suffered. The Manager's periodic charge is specific to each unit class. Tax will be allocated between the unit classes according to income. Consequently, the revenue available to distribute for each unit class will differ.

### (d) 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.

### (e) Distributions from collective investment schemes

It is the policy of the Fund to distribute revenue from both income and accumulation distributions.

### (f) Expenses

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



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# Notes to the financial statements

## **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.

### **(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**

The Fund has no significant exposure to foreign currency risk.

### **(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 99.18% (31/01/22: 99.48%) of the Fund's assets were held in government bonds. 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.

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## Notes to the financial statements

### Note 3 Risk management policies (continued)

#### (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.

#### (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.

There were no derivatives held at the year end.

### Note 4 Net capital losses

	31/01/23	31/01/22
	£000	£000
The net capital losses during the year comprise:		
Losses on non-derivative securities	(146,209)	(59,892)
Losses on derivative contracts	–	(1)
Handling charges	(1)	(1)
Net capital losses	<u>(146,210)</u>	<u>(59,894)</u>

### Note 5 Revenue

	31/01/23	31/01/22
	£000	£000
Interest on debt securities	7,906	6,907
Liquidity interest	48	2
Total revenue	<u>7,954</u>	<u>6,909</u>

## Notes to the financial statements

<b>Note 6 Expenses</b>	31/01/23 £000	31/01/22 £000
(a) Payable to the Manager or associates of the Manager and agents of either of them:		
Manager's periodic charge	496	585
(b) Payable to the Trustee or associates of the Trustee and agents of either of them:		
Trustee's fees	25	26
(c) Other expenses:		
Audit fee	10	10
Safe custody charges	12	14
Printing & stationery	1	1
FTSE licence fees	24	17
Professional fees	4	1
	<u>51</u>	<u>43</u>
Total expenses	<u>572</u>	<u>654</u>

<b>Note 7 Taxation</b>	31/01/23 £000	31/01/22 £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	7,381	6,254
Corporation tax at 20% (31/01/22: 20%)	1,476	1,251
Effects of:		
Deductible interest distributions	(1,476)	(1,251)
Total tax charge for the year (Note 7(a))	<u>–</u>	<u>–</u>

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:

	31/01/23	31/01/22
	£000	£000
Interim	3,441	3,134
Final	4,134	3,252
	<u>7,575</u>	<u>6,386</u>
Amounts deducted on cancellation of units	24	99
Amounts added on issue of units	(206)	(156)
Net distribution for the year	<u>7,393</u>	<u>6,329</u>
Net revenue after taxation	7,381	6,254
Expenses taken to capital	12	14
Income deficit transfers	–	61
Net distribution for the year	<u>7,393</u>	<u>6,329</u>

Details of the distribution per unit are set out in the tables on page 25.

## Note 9 Debtors

	31/01/23	31/01/22
	£000	£000
Creations awaiting settlement	11,425	412
Accrued income	2,823	2,893
Total debtors	<u>14,248</u>	<u>3,305</u>

## Note 10 Cash and bank balances

	31/01/23	31/01/22
	£000	£000
Cash and bank balances	–	–
Total cash and bank balances	<u>–</u>	<u>–</u>

## Note 11 Bank overdraft

	31/01/23	31/01/22
	£000	£000
Bank overdraft	37	–
Total bank overdraft	<u>37</u>	<u>–</u>

## Note 12 Other creditors

	31/01/23	31/01/22
	£000	£000
Cancellations awaiting settlement	392	699
Purchases awaiting settlement	15,819	–
Manager's periodic charge payable	155	245
Trustee's fees payable	4	4
Safe custody charges payable	1	1
Audit fee payable	10	10
Handling charges payable	1	–
Total other creditors	<u>16,382</u>	<u>959</u>

# Notes to the financial statements

## Note 13 Reconciliation of units

	Class 'A' Accumulation	Class 'B' Accumulation
Opening units issued at 01/02/22	29,106,351	344,384,927
Unit movements in year:		
Units issued	3,595,871	33,848,107
Units cancelled	(415,788)	(5,174,737)
Closing units at 31/01/23	<u>32,286,434</u>	<u>373,058,297</u>

## Note 14 Contingencies and commitments

At 31 January 2023 the Fund had no outstanding calls on partly paid shares, no potential underwriting commitments or any other contingent liabilities (31/01/22: £nil).

## Note 15 Unitholders' funds

There are two unit classes in issue within the Fund. These are Class 'A' Accumulation and Class 'B' Accumulation.

The Manager's periodic charge in respect of Class 'A' and Class 'B' units is expressed as an annual percentage of the value of the property of the Fund attributable to each unit class and is currently 1.025% in respect of Class 'A' units and 0.005% in respect of Class 'B' units.

Consequently, the level of net revenue attributable to each unit class will differ. Should it be necessary to wind-up the Fund, each unit class will have the same rights as regards to the distribution of the property of the Fund.

## 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 the following percentage of the units at the year end:

	Class 'A' %	Class 'B' %
As at 31 January 2023:	100.00	99.78
As at 31 January 2022:	100.00	99.58

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 net assets attributable to unitholder and Note 8.

Any balances due to/from the Manager or its associates at 31 January 2023 in respect of these transactions are shown in Notes 9 and 12.

## Note 17 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 (continued)

### Counterparty exposure

There was no counterparty exposure held at the year end.

### Currency exposure

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

Currency	Monetary exposure £000	Net currency assets 31/01/23		Monetary exposure £000	Net currency assets 31/01/22	
		Non-monetary exposure £000	Total exposure £000		Non-monetary exposure £000	Total exposure £000
Sterling	(2,171)	637,017	634,846	2,346	719,073	721,419
	(2,171)	637,017	634,846	2,346	719,073	721,419

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 31 January 2023 was:

Currency	Fixed rate financial assets £000	Floating rate financial assets £000	Financial assets not carrying interest £000	Total £000
Sterling	629,627	7,390	14,248	651,265
	629,627	7,390	14,248	651,265

Currency	Fixed rate financial liabilities £000	Floating rate financial liabilities £000	Financial liabilities not carrying interest £000	Total £000
Sterling	–	(37)	(16,382)	(16,419)
	–	(37)	(16,382)	(16,419)

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# Notes to the financial statements

## Note 17 Financial instruments (continued)

### Interest profile (continued)

The interest rate risk profile of financial assets and liabilities at 31 January 2022 was:

Currency	Fixed rate financial assets £000	Floating rate financial assets £000	Financial assets not carrying interest £000	Total £000
Sterling	717,718	1,355	3,305	722,378
	717,718	1,355	3,305	722,378

Currency	Fixed rate financial liabilities £000	Floating rate financial liabilities £000	Financial liabilities not carrying interest £000	Total £000
Sterling	–	–	(959)	(959)
	–	–	(959)	(959)

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

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 £57,687,169 (31/01/22: £84,838,874). A one percent decrease would have an equal and opposite effect.

#### 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 £31,850,843 (31/01/22: £35,953,658). A five percent decrease would have an equal and opposite effect.

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# Notes to the financial statements

## 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.

- 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 31/01/23

<b>Level</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>Total</b>
<b>Investment assets</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Bonds	629,627	–	–	629,627
Money markets	7,390	–	–	7,390
	637,017	–	–	637,017

### For the year ended 31/01/22

<b>Level</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>Total</b>
<b>Investment assets</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Bonds	717,718	–	–	717,718
Money markets	1,355	–	–	1,355
	719,073	–	–	719,073



# Notes to the financial statements

## Note 19 Portfolio transaction costs

For the year ended 31/01/23

	Value £000	Commission £000	%	Taxes £000	%	Other expenses £000	%
<b>Analysis of total purchases costs</b>							
Bond transactions	122,740	–	–	–	–	–	–
Money markets	62,646	–	–	–	–	–	–
<b>Total</b>	<b>185,386</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
	Value £000	Commission £000	%	Taxes £000	%	Other expenses £000	%
<b>Analysis of total sales costs</b>							
Bond transactions	7,927	–	–	–	–	–	–
Money markets	56,610	–	–	–	–	–	–
Corporate actions	50,488	–	–	–	–	–	–
<b>Total</b>	<b>115,025</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

The Fund has paid £505 as commission on purchases and sales of derivatives transactions for the year ended 31/01/23.

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

Commission	0.00%
Taxes	0.00%
Other expenses	0.00%

For the year ended 31/01/22

	Value £000	Commission £000	%	Taxes £000	%	Other expenses £000	%
<b>Analysis of total purchases costs</b>							
Bond transactions	122,954	–	–	–	–	–	–
Money markets	48,072	–	–	–	–	–	–
<b>Total</b>	<b>171,026</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
	Value £000	Commission £000	%	Taxes £000	%	Other expenses £000	%
<b>Analysis of total sales costs</b>							
Bond transactions	37,048	–	–	–	–	–	–
Money markets	47,708	–	–	–	–	–	–
Corporate actions	16,543	–	–	–	–	–	–
<b>Total</b>	<b>101,299</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

The Fund has paid £515 as commission on purchases and sales of derivatives transactions for the year ended 31/01/22.

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

Commission	0.00%
Taxes	0.00%
Other expenses	0.00%

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## Notes to the financial statements

### Note 19 Portfolio transaction costs (continued)

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 0.12% (31/01/22: 0.08%) being the difference between the respective bid and offer prices for the Fund's investments.

### Note 20 Post Balance sheet events

As indicated in the accounting policies in Note 1(b), the investments have been valued at close of business on 31 January 2023. Since the balance sheet date, the bid price of each of the Fund's share classes have moved as follows:

	<b>Bid Price</b> <b>31/01/23</b> <b>pence</b>	<b>Bid Price</b> <b>23/05/23</b> <b>pence</b>	<b>Movement</b> <b>(%)</b>
Class 'A' Accumulation	138.91	130.67	-5.93%
Class 'B' Accumulation	158.18	149.28	-5.61%

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## Distribution tables

For the year ended 31 January 2023

### Interest distributions

#### Interim distribution in pence per unit

Group 1: units purchased prior to 1 February 2022

Group 2: units purchased 1 February 2022 to 31 July 2022

	Gross income	Equalisation	2022 pence per unit paid 30 Sep	2021 pence per unit paid 30 Sep
<b>Class 'A' Accumulation</b>				
Group 1	0.0372	—	0.0372	—
Group 2	0.0372	—	0.0372	—

#### Class 'B' Accumulation

Group 1	0.9687	—	0.9687	0.9217
Group 2	0.4948	0.4739	0.9687	0.9217

#### Final distribution in pence per unit

Group 1: units purchased prior to 1 August 2022

Group 2: units purchased 1 August 2022 to 31 January 2023

	Gross income	Equalisation	2023 pence per unit payable 31 Mar	2022 pence per unit paid 31 Mar
<b>Class 'A' Accumulation</b>				
Group 1	0.2364	—	0.2364	—
Group 2	0.0523	0.1841	0.2364	—

#### Class 'B' Accumulation

Group 1	1.0878	—	1.0878	0.9442
Group 2	0.4116	0.6762	1.0878	0.9442

### 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 Sterling Government Bond 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 Sterling Government Bond Fund ('the Trust') for the period ended 31 January 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  
31 May 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  
31 May 2023

Craig Baker, Director  
Andrew Moss, Director

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# Independent auditor's report to the unitholders of PUTM Bothwell Sterling Government Bond Fund

## Opinion

We have audited the financial statements of the PUTM Bothwell Sterling Government Bond Fund ("the Fund") for the year ended 31 January 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 31 January 2023 and of the net revenue and the net capital loss 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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# Independent auditor's report to the unitholders of PUTM Bothwell Sterling Government Bond Fund

## **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 26, 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 PUTM Bothwell Sterling Government Bond 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  
31 May 2023



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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 Sterling Government Bond Fund. This has been performed based on the information available as at 31 January 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:

<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

**Brid Meaney** PUTM Director, Chief Executive  
Phoenix Life;

**Craig Baker** PUTM Director, Head of Investment  
Management Phoenix Life;

**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.

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## Notes

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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.