

PHOENIX UNIT TRUST MANAGERS

MANAGER'S ANNUAL REPORT

For the year: 1 June 2021 to 31 May 2022

PUTM BOTHWELL SHORT DURATION CREDIT FUND



Contents

Investment review*	2-3
Portfolio of investments*	4-10
Top ten purchases and sales	11
Statistical information*	12-14
Statements of total return & change in unitholders' funds	15
Balance sheet	16
Notes to the financial statements	17-26
Distribution tables	27
Responsibilities of the manager and the trustee	28
Trustee's report and directors' statement	29
Independent auditor's report	30-32
Corporate information*	33-35

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

Investment review

Dear Investor

Welcome to the PUTM Bothwell Short Duration Credit Fund annual report for the period: 1 June 2021 to 31 May 2022.

Performance Review

Over the review period, the PUTM Bothwell Short Duration Credit Fund returned -6.23 %. (Source: FactSet). This is compared to a return of -6.68% by its benchmark index. (Source: FactSet, iBoxx Sterling Collateralized & Corporates (1-10 Y)).

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

	May 21-22 % growth	May 20-21 % growth	May 19-20 % growth	May 18-19 % growth	May 17-18 % growth
PUTM Bothwell Short Duration Credit Fund	-6.23	5.35	N/a	N/a	N/a
Benchmark Index	-6.68	4.46	N/a	N/a	N/a

Source: Fund and Benchmark Index performance is FactSet. Benchmark Index is iBoxx Sterling Collateralized & Corporates (1-10 Y), Total Return in GBP terms to 31 May 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.

Investment review

Portfolio and Market Review

Corporate bonds fell over the period, as rising interest rates, inflation and the war in Ukraine resulted in higher yields. Bonds rose somewhat in late 2021, although markets were volatile, but fell heavily in the opening quarter of 2022. Spreads for investment grade corporate bonds widened significantly over the first quarter as expectations of higher interest rates were realised. In addition, the outbreak of war in Ukraine rattled bond investors as the conflict also further increased inflationary pressures globally. Together, this contributed to a large increase in government yields.

The Fund outperformed its benchmark over the period, helped by strong stock selection and asset allocation. In particular, an overweight position in BBB rated bonds contributed, as did an underweight position in AA rated bonds.

In terms of individual securities, the biggest gain was from a zero holding of Russian oil producer Gazprom. Russian bonds fell as many developed countries have imposed sanctions, following the invasion of Ukraine. Retailers performed well over the period, notably supermarkets Sainsbury's and Morrisons were among the top performers. Similarly, northern English shopping centre Metrocentre gained. An off-benchmark defensive holding of gilts was also attributive.

On the negative side, bank and financial holdings generally detracted. Overweight holdings of Santander and HSBC weighed on returns, as did an underweight position in Lloyds. The biggest detractor was Digital Realty, which runs data centres. A corporate hybrid holding from French state-owned utility EDF also weighed, as EDF has struggled in 2022 and recently received a capital injection from the government.

Market Outlook and Fund Strategy

Uncertainty is likely to prevail over the coming months as inflation remains stubborn and policy responses are being implemented. With the Russo-Ukrainian conflict stretching out and tensions rising, there is little to becalm markets. Investment grade credit offers some compelling value over the longer term but perhaps less so in shorter timeframes. Supply will be relatively light but central banks are preparing to unwind balance sheets, and this provides a negative from a technical perspective.

Portfolio of investments (unaudited)

Investments held at 31 May 2022

Market value	Percentage of total net assets
£000	%
	0.72
	96.66
	43.98
£1,000,000	0.72
	96.66
	43.98
£1,000,000	0.81
£256,000	0.17
£482,000	0.31
£1,000,000	0.73
£1,550,000	1.27
£319,000	0.23
£1,500,000	1.12
£1,000,000	0.76
£271,000	0.20
£1,200,000	0.99
£750,000	0.57
£500,000	0.38
£388,000	0.24
£1,250,000	0.91
£750,000	0.55
£350,000	0.16
£500,000	0.35
£1,031,000	0.76
£1,000,000	0.85
£1,000,000	0.83
£282,000	0.23
£1,000,000	0.70
£275,000	0.20
£474,000	0.32
£1,000,000	0.68
£1,400,000	0.77
£750,000	0.55
£300,000	0.23
£645,000	0.53
£859,000	0.61
£1,000,000	0.72
£1,500,000	1.10
£1,000,000	0.80
£400,000	0.30
£1,000,000	0.85
£400,000	0.32
£900,000	0.74

Portfolio of investments (unaudited)

Investments held at 31 May 2022

Holding	Investment	Market value £000	Percentage of total net assets %
United Kingdom (continued)			
£1,000,000	Land Securities 1.974% 08/02/2026	990	0.76
£1,000,000	Lloyds Bank Corporate Markets 1.75% 11/07/2024	974	0.75
£505,000	Lloyds Banking Group 1.875% VRN 15/01/2026	484	0.37
£1,000,000	Lloyds Banking Group 1.985% VRN 15/12/2031	900	0.69
£899,000	Lloyds Banking Group 2.707% VRN 03/12/2035	761	0.58
£800,000	Lloyds Banking Group 7.625% 22/04/2025	883	0.68
£1,000,000	London & Quadrant Housing Trust 2.625% 05/05/2026	994	0.76
£1,000,000	Longstone Finance 4.896% 19/04/2036	1,052	0.80
£750,000	National Express Group 2.375% 20/11/2028	691	0.53
£1,050,000	Nationwide Building Society 5.625% 28/01/2026	1,170	0.90
£1,500,000	Natwest Group 2.105% VRN 28/11/2031	1,353	1.04
£521,000	Natwest Group 3.619% VRN 29/03/2029	511	0.39
£600,000	NewRiver REIT 3.5% 07/03/2028	545	0.42
£1,400,000	NGG Finance 5.625% VRN 18/06/2073	1,403	1.07
£500,000	Northumbrian Water Finance 2.375% 05/10/2027	483	0.37
£1,000,000	Pension Insurance Corporation 5.625% 20/09/2030	1,029	0.79
£1,700,000	Royal Bank of Scotland 3.125% VRN 28/03/2027	1,655	1.27
£750,000	Royal Bank of Scotland 3.622% VRN 14/08/2030	728	0.56
£1,150,000	Royal Bank of Scotland 5.125% 13/01/2024	1,201	0.92
£1,500,000	Santander 3.625% 14/01/2026	1,497	1.15
£750,000	Santander 3.875% 15/10/2029	774	0.59
£500,000	Stagecoach Group 4% 29/09/2025	499	0.38
£137,000	Telereal Securitisation 1.3657% 10/12/2033	112	0.09
£188,000	Telereal Securitisation 1.9632% VRN 10/12/2033	179	0.14
£1,350,000	Telereal Securitisation 6.1645% 10/12/2033	1,300	0.99
£1,200,000	Thames Water Utilities 2.375% 03/05/2023	1,189	0.91
£750,000	Thames Water Utilities 3.5% 25/02/2028	754	0.58
£1,250,000	Unite Group 3.5% 15/10/2028	1,231	0.94
£1,250,000	Virgin Money 2.625% VRN 19/08/2031	1,141	0.87
£614,000	Virgin Money 5.125% VRN 11/12/2030	616	0.47
£1,100,000	Workspace Group 2.25% 11/03/2028	966	0.74
£162,000	Yorkshire Building Society 3.511% VRN 11/10/2030	155	0.12
£709,000	Yorkshire Water Finance 1.75% 26/11/2026	676	0.52
Australia (31/05/21 – 1.30%)			
£750,000	Asciano Finance 5% 19/09/2023	765	0.59
£729,000	National Australia Bank 1.699% VRN 15/09/2031	656	0.50

Portfolio of investments (unaudited)

Investments held at 31 May 2022

Holding	Investment	Market value £000	Percentage of total net assets %
	Belgium (31/05/21 – 1.45%)		1.59
£1,000,000	Anheuser Busch InBev 2.25% 24/05/2029	930	0.71
£1,000,000	Anheuser Busch InBev 9.75% 30/07/2024	1,146	0.88
	Canada (31/05/21 – 0.44%)		0.99
£691,000	Royal Bank of Canada 1.375% 09/12/2024	665	0.51
£639,000	TorontoDominion Bank 2.875% 05/04/2027	628	0.48
	Cayman Islands (31/05/21 – 1.12%)		1.26
£552,000	Southern Water Services (Finance) 1.625% 30/03/2027	515	0.39
£1,000,000	Southern Water Services (Finance) 6.64% 31/03/2026	1,131	0.87
	Channel Islands (31/05/21 – 5.93%)		6.08
£750,000	AA Bond 5.5% 31/07/2050	767	0.59
£1,000,000	CPUK Finance 3.588% 28/02/2042	1,008	0.77
£700,000	CPUK Finance 3.69% 28/02/2047	704	0.54
£750,000	Gatwick Funding 2.5% 15/04/2032	673	0.51
£1,000,000	Gatwick Funding 6.125% 02/03/2028	1,098	0.84
£1,250,000	Heathrow Funding 2.625% 16/03/2028	1,137	0.87
£500,000	Heathrow Funding 2.75% 13/10/2031	467	0.36
£600,000	Heathrow Funding 5.225% VRN 15/02/2023	610	0.47
£1,300,000	Heathrow Funding 6.75% 03/12/2028	1,475	1.13
	China (31/05/21 – 0.88%)		
	Denmark (31/05/21 – 0.94%)		1.00
£1,000,000	Danske Bank AS 2.25% 14/01/2028	932	0.71
£487,000	Orsted AS 2.5% VRN 18/02/3021	380	0.29
	France (31/05/21 – 6.29%)		6.76
£1,000,000	AXA 5.453% VRN Perpetual	1,040	0.80
£600,000	Banque Federative du Credit Mutuel 1.25% 05/12/2025	562	0.43
£1,500,000	Banque Federative Du Credit Mutuel 1.75% 19/12/2024	1,446	1.11
£1,100,000	BNP Paribas 1.25% 13/07/2031	879	0.67
£500,000	BNP Paribas 2% VRN 24/05/2031	455	0.35
£700,000	BPCE 2.5% VRN 30/11/2032	630	0.48
£600,000	BPCE 5.25% 16/04/2029	632	0.48
£1,000,000	Électricité de France 6% VRN Perpetual	961	0.74
£750,000	Électricité de France 6.25% 30/05/2028	856	0.65
£1,400,000	Vinci SA 2.25% 15/03/2027	1,367	1.05

Portfolio of investments (unaudited)

Investments held at 31 May 2022

Holding	Investment	Market value £000	Percentage of total net assets %
Germany (31/05/21 – 3.19%)			2.69
£800,000	Deutsche Bank 1.875% VRN 22/12/2028	699	0.54
£1,500,000	Deutsche Bank 2.625% 16/12/2024	1,452	1.11
£700,000	Deutsche Bank 4% VRN 24/06/2026	694	0.53
£700,000	Landesbank BadenWuerttemberg 1.5% 03/02/2025	668	0.51
Iceland (31/05/21 – 0.44%)			
Italy (31/05/21 – 0.21%)			0.22
€366,000	Enel SpA 2.25% VRN Perpetual	285	0.22
Luxembourg (31/05/21 – 1.14%)			1.58
£508,000	Blackstone Property Partners 2.625% 20/10/2028	450	0.34
£1,250,000	CK Hutchison Group Telecom Finance 2% 17/10/2027	1,141	0.87
£523,000	Prologis International Funding 2.75% 22/02/2032	479	0.37
Mexico (31/05/21 – 0.56%)			0.62
£750,000	América Móvil 5% 27/10/2026	808	0.62
Netherlands (31/05/21 – 6.68%)			8.47
£700,000	ABN AMRO Bank 1.375% 16/01/2025	672	0.51
€1,000,000	Digital Intrepid Holding 0.625% 15/07/2031	636	0.49
£1,200,000	E.ON International Finance 5.625% 06/12/2023	1,250	0.96
£1,000,000	E.ON International Finance 6.25% 03/06/2030	1,187	0.91
£298,000	Enel Finance International 1% 20/10/2027	266	0.20
£660,000	Enel Finance International 2.875% 11/04/2029	626	0.48
€700,000	Iberdrola International 1.874% VRN Perpetual	550	0.42
£800,000	ING Groep 1.125% VRN 07/12/2028	692	0.53
£750,000	Rabobank Nederland 4.625% 23/05/2029	765	0.59
£600,000	Siemens Financieringsmaatschappij 1% 20/02/2025	575	0.44
£1,000,000	Volkswagen Financial Services 1.375% 14/09/2028	867	0.66
£600,000	Volkswagen Financial Services 1.875% 03/12/2024	577	0.44
£600,000	Volkswagen Financial Services 2.125% 18/01/2028	550	0.42
£1,100,000	Volkswagen Financial Services 2.75% 10/07/2023	1,096	0.84
€900,000	Volkswagen International Finance 3.5% VRN Perpetual	756	0.58
Norway (31/05/21 – 0.55%)			0.65
£855,000	DNB Bank ASA 1.375% 12/06/2023	843	0.65
Spain (31/05/21 – 1.95%)			3.20
£1,200,000	Banco Santander 1.5% 14/04/2026	1,108	0.85
£1,200,000	Banco Santander 2.25% VRN 04/10/2032	1,051	0.80
£500,000	Caixa Bank 1.5% VRN 03/12/2026	462	0.35
£500,000	Caixa Bank 3.5% VRN 06/04/2028	487	0.37
£1,000,000	Telefonica Emisiones 5.375% 02/02/2026	1,079	0.83

Portfolio of investments (unaudited)

Investments held at 31 May 2022

Holding	Investment	Market value £000	Percentage of total net assets %
	Sweden (31/05/21 – 0.00%)		0.27
£418,000	Vattenfall 2.5% VRN 29/06/2083	357	0.27
	Switzerland (31/05/21 – 1.24%)		1.58
£482,000	Credit Suisse 2.125% VRN 15/11/2029	416	0.32
£750,000	Credit Suisse 2.25% VRN 09/06/2028	680	0.52
£1,000,000	Credit Suisse 2.75% 08/08/2025	967	0.74
	United States (31/05/21 – 14.77%)		14.63
€534,000	American Tower Corporation 0.5% 15/01/2028	392	0.30
£1,377,000	AT&T 4.375% 14/09/2029	1,442	1.10
£1,200,000	AT&T 5.5% 15/03/2027	1,322	1.01
£1,500,000	Athene Global Funding 1.75% 24/11/2027	1,342	1.03
£1,000,000	Bank of America 7% 31/07/2028	1,201	0.92
£1,200,000	BAT Capital 2.125% 15/08/2025	1,135	0.87
£1,450,000	Citigroup 1.75% 23/10/2026	1,352	1.04
£423,000	Comcast 1.5% 20/02/2029	384	0.29
£900,000	Comcast 5.5% 23/11/2029	1,041	0.80
£750,000	Digital Stout Holdings 3.3% 19/07/2029	715	0.55
£500,000	Digital Stout Holdings 4.25% 17/01/2025	511	0.39
£750,000	Fidelity National Information Services 2.25% 03/12/2029	680	0.52
£491,000	General Motors Financial 1.55% 30/07/2027	437	0.33
£1,850,000	JPMorgan Chase & Co 0.991% VRN 28/04/2026	1,730	1.32
£1,000,000	Morgan Stanley 2.625% 09/03/2027	968	0.74
£723,000	Nestle Holdings 2.5% 04/04/2032	690	0.53
£1,500,000	Verizon Communications 1.125% 03/11/ 2028	1,314	1.01
\$299,000	Verizon Communications 2.55% 21/03/2031	210	0.16
£1,500,000	Wells Fargo & Co. 2% 28/07/2025	1,447	1.11
£750,000	Welltower 4.8% 20/11/2028	801	0.61
	Public Authorities (31/05/21 – 0.00%)		0.42
	United Kingdom (31/05/21 – 0.00%)		0.42
£500,000	Transport for London 5% 31/03/2035	550	0.42
	Money Markets (31/05/21 – 1.50%)		0.56
£731	Aberdeen Standard Liquidity Fund (Lux) - Seabury Sterling Class Z-1+	731	0.56
	Forward Foreign Exchange Contracts (31/05/21 – 0.00%)		(0.04)
GBP 217,426 (USD 290,761)	GBP Forward Currency Contract 07/06/2022	218	0.17
	USD Forward Currency Contract 07/06/2022	(231)	(0.18)
GBP 2,793,718	GBP Forward Currency Contract 06/06/2022	2,794	2.14
(EUR 3,329,747)	EUR Forward Currency Contract 06/06/2022	(2,831)	(2.17)

Portfolio of investments (unaudited)

Investments held at 31 May 2022

Holding	Investment	Market value £000	Percentage of total net assets %
Foreign Exchange Contracts (continued)			
USD 5,814	USD Forward Currency Contract 07/06/2022	5	0.00
(GBP 4,420)	GBP Forward Currency Contract 07/06/2022	(5)	0.00
USD 6,919	USD Forward Currency Contract 07/06/2022	5	0.00
(GBP 5,307)	GBP Forward Currency Contract 07/06/2022	(5)	0.00
GBP 5,029	GBP Forward Currency Contract 07/06/2022	5	0.00
(USD 6,606)	USD Forward Currency Contract 07/06/2022	(5)	0.00
USD 7,121	USD Forward Currency Contract 07/06/2022	6	0.00
(GBP 5,401)	GBP Forward Currency Contract 07/06/2022	(6)	0.00
USD 7,847	USD Forward Currency Contract 06/06/2022	6	0.00
(GBP 6,026)	GBP Forward Currency Contract 06/06/2022	(6)	0.00
EUR 79,875	EUR Forward Currency Contract 06/06/2022	68	0.05
(GBP 66,885)	GBP Forward Currency Contract 06/06/2022	(67)	(0.05)
USD 5,368	USD Forward Currency Contract 06/06/2022	4	0.00
(GBP 4,125)	GBP Forward Currency Contract 06/06/2022	(4)	0.00
EUR 85,162	EUR Forward Currency Contract 07/06/2022	73	0.06
(GBP 71,824)	GBP Forward Currency Contract 07/06/2022	(72)	(0.06)
USD 5,924	USD Forward Currency Contract 06/06/2022	5	0.00
(GBP 4,724)	GBP Forward Currency Contract 06/06/2022	(5)	0.00
EUR 90,897	EUR Forward Currency Contract 07/06/2022	77	0.06
(GBP 77,933)	GBP Forward Currency Contract 07/06/2022	(78)	(0.06)
GBP 4,733	GBP Forward Currency Contract 06/06/2022	5	0.00
(USD 5,932)	USD Forward Currency Contract 06/06/2022	(5)	0.00
GBP 2,779,547	GBP Forward Currency Contract 07/09/2022	2,780	2.13
(EUR 3,249,872)	EUR Forward Currency Contract 07/09/2022	(2,776)	(2.12)
USD 13,207	USD Forward Currency Contract 07/09/2022	10	0.01
(GBP 10,457)	GBP Forward Currency Contract 07/09/2022	(10)	(0.01)
GBP 219,716	GBP Forward Currency Contract 07/09/2022	220	0.17
(USD 277,512)	USD Forward Currency Contract 07/09/2022	(220)	(0.17)
USD 277,512	USD Forward Currency Contract 07/06/2022	220	0.17
(GBP 219,894)	GBP Forward Currency Contract 07/06/2022	(220)	(0.17)
GBP 149,939	GBP Forward Currency Contract 07/06/2022	150	0.11
(EUR 176,059)	EUR Forward Currency Contract 07/06/2022	(150)	(0.11)
GBP 10,466	GBP Forward Currency Contract 06/06/2022	10	0.01
(USD 13,207)	USD Forward Currency Contract 06/06/2022	(10)	(0.01)
EUR 176,059	EUR Forward Currency Contract 07/09/2022	150	0.11
(GBP 150,606)	GBP Forward Currency Contract 07/09/2022	(150)	(0.11)
EUR 3,249,872	EUR Forward Currency Contract 06/06/2022	2,763	2.11
(GBP 2,767,035)	GBP Forward Currency Contract 06/06/2022	(2,767)	(2.12)
GBP 53,589	GBP Forward Currency Contract 21/06/2022	53	0.04
(EUR 62,869)	EUR Forward Currency Contract 21/06/2022	(53)	(0.04)

Portfolio of investments (unaudited)

Investments held at 31 May 2022

Holding	Investment	Market value £000	Percentage of total net assets %
	Futures (31/05/21 – 0.00%)		0.01
(9)	EUX Euro Bund Future June 2022	114	0.09
50	ICF Long Gilt Future September 2022	(108)	(0.08)
	Portfolio of investments ^	<u>128,465</u>	<u>98.33</u>
	Net other assets	<u>2,187</u>	<u>1.67</u>
	Net assets	<u>130,652</u>	<u>100.00</u>

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

The counterparty for the Future is Morgan Stanley.

The counterparties for the Forward Foreign Exchange Contracts are BNP Paribas, Citibank Global Markets Limited, Societe Generale Paris, Royal Bank of Canada and UBS.

^ includes investment liabilities

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

Credit Ratings	£000	%
Investment grade	121,623	93.08
Non-investment grade	4,403	3.10
Unrated	<u>2,111</u>	<u>1.62</u>
Total investment in bonds	<u>128,137</u>	<u>97.80</u>

Top ten purchases and sales

For the year ended 31 May 2022

Purchases	Cost £000	Sales	Proceeds £000
Aberdeen Standard Liquidity Fund (Lux) – Seabury Sterling Class Z-1	45,723	Aberdeen Standard Liquidity Fund (Lux) – Seabury Sterling Class Z-1	47,388
UK Treasury 0.125% 30/01/2026	3,153	UK Treasury 0.125% 30/01/2026	3,138
UK Treasury 0.25% 31/01/2025	3,065	UK Treasury 0.25% 31/01/2025	3,025
Natwest Group 2.105% VRN 28/11/2031	1,408	UK Treasury 0.375% 22/10/2030	3,004
HSBC Holdings 6.75% 11/09/2028	1,301	Deutsche Pfandbriefbank AG 1.75% 21/11/2022	2,022
Banco Santander 2.25% VRN 04/10/2032	1,159	American International 5% 26/04/2023	1,503
Toyota Motor Finance 0.75% 19/12/2025	1,075	Industrial Commercial Bank of China 1.5% 31/07/2022	1,410
Diageo Finance 2.375% 08/06/2028	1,025	Lend Lease Europe 6.125% 12/10/2021	1,400
Heathrow Funding 6.75% 03/12/2028	1,004	Stagecoach Group 4% 29/09/2025	1,303
Volkswagen Financial Services 1.375% 14/09/2028	992	Lloyds Banking 2.25% 16/10/2024	1,286
Subtotal	59,905	Subtotal	65,479
Other purchases	21,100	Other sales	27,967
Total purchases for the year	81,005	Total sales for the year	93,446

Statistical information

Investment objective

The objective of the Fund is to provide a total return (the combination of income and capital growth) and outperform the benchmark (before fees) by 0.3% to 0.4% per annum over any given 3 year period.

The benchmark is the Markit iBoxx Sterling Collateralized and Corporates 1-10y Index (the "Index").

Investment policy

The Fund will invest at least 70% in investment grade corporate bonds, which are constituents of the Index. The Bonds have a minimum credit rating of BBB- and are denominated in sterling with expected maturity of up to 10 years. The bonds making up the Fund's portfolio are expected to have a relatively short duration of up to 6 years. The Fund may also invest in other corporate bonds outside of the Index including government bonds, convertible bonds and other bonds (e.g. supranational, government backed bonds and index-linked bonds), issued anywhere in the world, in other funds and in money-market instruments including cash.

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

Investment strategy

Although at least 70% of the Fund is invested in components of the Index, the Fund is actively managed. The Investment Adviser uses a stock selection model to select individual holdings, where they believe there is misalignment in the assessment of growth prospects and creditworthiness of the holdings and that of the market, while giving consideration to future economic and business conditions. The Fund is managed within constraints, so that divergence from the index is controlled. The Fund's portfolio may, therefore, be similar to the components of the Index.

The Fund's holdings will typically consist of individual bonds but derivatives (including currency forwards and interest rate and credit default swaps) may be used to gain or reduce (hedge) exposure. Non-Sterling denominated assets will typically be hedged back to sterling to minimise exposure to currency rate movements.

Revenue distribution and pricing

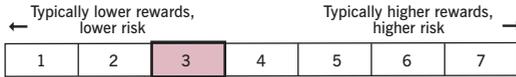
Units of the Fund are available as Class 'B' Accumulation units (where revenue is reinvested to enhance the unit price). There will be two potential distributions in each accounting year: an interim distribution as at 30 November and a final distribution as at 31 May.

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.



This Fund is ranked at 3 (31/05/21: 3) because funds of this type have experienced average rises and falls in value in the past.

The above figure applies to the following unit class:

- Class 'B' Accumulation

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

- Bonds are affected by changes in interest rates, inflation and any decline in creditworthiness of the bond issuer. Bonds that produce a higher level of income usually also carry greater risk as such bond issuers may have difficulty in paying their debts.
- Although the Investment Manager will use currency trades to reduce exchange rate risk on investments not priced in 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.

Annual financial statements

For the year ended 31 May 2022

Statement of total return

		31/05/22		31/05/21	
	Notes	£000	£000	£000	£000
Income					
Net capital (losses)/gains	4		(12,229)		5,257
Revenue	5	3,132		3,407	
Expenses	6	(36)		(49)	
Interest payable and similar charges		–		(1)	
Net revenue before taxation		<u>3,096</u>		<u>3,357</u>	
Taxation	7	–		–	
Net revenue after taxation			<u>3,096</u>		<u>3,357</u>
Total (deficit)/return before distributions			(9,133)		8,614
Distributions	8		(3,105)		(3,363)
Change in unitholders' funds from investment activities			<u>(12,238)</u>		<u>5,251</u>

Statement of change in unitholders' funds

	31/05/22		31/05/21	
	£000	£000	£000	£000
Opening net assets		159,578		157,644
Amounts receivable on issue of units	2,975		11,787	
Amounts payable on cancellation of units	<u>(22,639)</u>		<u>(18,488)</u>	
		(19,664)		(6,701)
Change in unitholders' funds from investment activities		(12,238)		5,251
Retained distributions on accumulation units		<u>2,976</u>		<u>3,384</u>
Closing net assets		<u>130,652</u>		<u>159,578</u>

Annual financial statements

As at 31 May 2022

Balance sheet

	Notes	31/05/22		31/05/21	
		£000	£000	£000	£000
Assets:					
Fixed assets:					
Investments			128,628		154,528
Current assets:					
Debtors	9	3,550		5,986	
Cash and bank balances	10	119		6	
Total current assets			<u>3,669</u>		<u>5,992</u>
Total assets			<u>132,297</u>		<u>160,520</u>
Liabilities:					
Investment liabilities			(163)		–
Creditors:					
Other creditors	11	<u>(1,482)</u>		<u>(942)</u>	
Total creditors			<u>(1,482)</u>		<u>(942)</u>
Total liabilities			(1,645)		(942)
Net assets			<u>130,652</u>		<u>159,578</u>
Unitholders' funds			<u>130,652</u>		<u>159,578</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, key service provider's operational resilience and the impact of COVID-19.

(b) Valuation of investments

The quoted investments of the Fund have been valued at bid dealing prices as at close of business on 31 May 2022, the last valuation point in the accounting year, in accordance with the Trust Deed. Investments in collective investment schemes have been valued at bid price for dual priced funds or the single price for single priced funds. Where these investments are managed by the Manager or an associate of the Manager, the holdings have been valued at the cancellation price for dual priced funds or the single price for single priced funds. This price is the last available published price at the year end.

Derivatives are valued as at close of business on 31 May 2022, the last valuation point of the accounting year.

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

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

(c) Foreign exchange

Transactions in foreign currencies during the year are translated into Sterling (the functional currency of the Fund), at the rates of exchange ruling on the transaction date. Amounts held in foreign currencies have been translated at the rate of exchange ruling at close of business, 31 May 2022, the last valuation point in the accounting year.

(d) Revenue

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

(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 charge to capital.

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 accumulated to unitholders.

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

(b) Unclaimed distributions

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

(c) Interest from debt securities

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

(d) Expenses

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

Note 3 Risk management policies

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

(a) Market price risk

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

Notes to the financial statements

Note 3 Risk management policies (continued)

(b) Interest rate risk

The Fund's assets are comprised of mainly fixed interest rate securities. There is therefore a risk that the capital value of investments will vary as a result of the market's sentiment regarding future interest rates. Expectations of future rates may result in an increase or decrease in the value of investments held. In general, if interest rates rise the revenue potential of the Fund also rises but the value of fixed interest rate securities will decline. A decline in interest rates will in general have the opposite effect.

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

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

(c) Foreign currency risk

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 96.66% (31/05/21: 93.54%) of the Fund's assets were held in corporate bonds and 0.72% (31/05/21: 1.80%) in government bonds.

Corporate bonds and government bonds involve the risk that the bond issuer will be unable to meet its liability to pay interest or redeem the bond. The Fund Manager selects bonds taking into account the credit rating, bearing in mind the Fund's objective.

(f) Counterparty risk

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

(g) Derivatives

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

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

Notes to the financial statements

Note 3 Risk management policies (continued)

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

The derivative counterparties are shown at the bottom of the Portfolio of investments on page 10.

Note 4 Net capital (losses)/gains	31/05/22	31/05/21
	£000	£000
The net capital (losses)/gains during the year comprise:		
(Losses)/gains on non-derivative securities	(11,974)	5,070
(Losses)/gains on derivative contracts	(255)	200
Currency gains/(losses)	1	(12)
Handling charges	(1)	(1)
Net capital (losses)/gains	<u>(12,229)</u>	<u>5,257</u>

Note 5 Revenue	31/05/22	31/05/21
	£000	£000
Interest on debt securities	3,127	3,401
Liquidity interest	5	6
Total revenue	<u>3,132</u>	<u>3,407</u>

Note 6 Expenses	31/05/22	31/05/21
	£000	£000
(a) Payable to the Manager or associates of the Manager and agents of either of them:		
Manager's periodic charge	<u>9</u>	<u>21</u>
(b) Payable to the Trustee or associates of the Trustee and agents of either of them:		
Trustee's fees	<u>6</u>	<u>11</u>
(c) Other expenses:		
Audit fee	9	9
Safe custody charges	9	6
Printing & stationery	1	1
Professional fees	2	1
	<u>21</u>	<u>17</u>
Total expenses	<u>36</u>	<u>49</u>

Notes to the financial statements

Note 7 Taxation

	31/05/22 £000	31/05/21 £000
(a) Analysis of tax charge for the year		
Overseas withholding tax	–	–
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	3,096	3,357
Corporation tax at 20% (31/05/21: 20%)	619	671
Effects of:		
Interest distributions deductible	(619)	(671)
Total tax charge for the year (Note 7(a))	–	–
Authorised Unit Trusts are exempt from tax on capital gains in the UK.		
(c) Provision for deferred taxation		
No deferred tax asset has been recognised in the year or the prior year.		

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:

	31/05/22 £000	31/05/21 £000
Interim	1,515	1,705
Final	1,462	1,679
	2,977	3,384
Amounts deducted on cancellation of units	153	58
Amounts added on issue of units	(25)	(79)
Net distribution for the year	3,105	3,363
Net revenue after taxation	3,096	3,357
Expenses taken to capital	9	6
Net distribution for the year	3,105	3,363

Details of the distribution per unit are set out in the tables on page 27.

Notes to the financial statements

Note 9 Debtors	31/05/22	31/05/21
	£000	£000
Creations awaiting settlement	–	3,810
Sales awaiting settlement	1,601	–
Accrued income	1,949	2,176
Total debtors	<u>3,550</u>	<u>5,986</u>

Note 10 Cash and bank balances	31/05/22	31/05/21
	£000	£000
Cash and bank balances	21	6
Amounts held at futures clearing houses	98	–
Total cash and bank balances	<u>119</u>	<u>6</u>

Note 11 Other creditors	31/05/22	31/05/21
	£000	£000
Cancellations awaiting settlement	1,470	425
Purchases awaiting settlement	–	500
Manager's periodic charge payable	1	3
Trustee's fees payable	1	4
Safe custody charges payable	1	1
Audit fee payable	9	9
Total other creditors	<u>1,482</u>	<u>942</u>

Note 12 Reconciliation of units

	Class 'B' Accumulation
Opening units issued at 01/06/21	151,357,292
Unit movements in year:	
Units issued	2,854,021
Units cancelled	(22,072,148)
Closing units at 31/05/22	<u>132,139,165</u>

Note 13 Contingencies and commitments

At 31 May 2022 the Fund had no outstanding calls on partly paid shares, no potential underwriting commitments or any other contingent liabilities (31/05/21: £nil).

Note 14 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 in Class 'B' Accumulation at the year end (31/05/21: 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 change in unitholders' funds and Note 8.

Any balances due to/from the Manager or its associates at 31 May 2022 in respect of these transactions are shown in Notes 9 and 11.

Notes to the financial statements

Note 15 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 enters 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

At 31 May 2022, the Fund had the following counterparty exposure on open Forward Foreign Exchange Contracts:

BNP Paribas	£200
Citibank Global Markets Ltd.	£193
Royal Bank of Canada	£4,256
Societe Generale Paris	£1,748
UBS	£668

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

At 31 May 2021, the Fund had the following counterparty exposure on open Forward Foreign Exchange Contracts:

Goldman Sachs	£4,355
Royal Bank of Canada	£2,484

Currency exposure

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

Currency	Net currency assets			Net currency assets		
	31/05/22			31/05/21		
	Monetary exposure	Non-monetary exposure	Total exposure	Monetary exposure	Non-monetary exposure	Total exposure
	£000	£000	£000	£000	£000	£000
Sterling	2,153	128,410	130,563	5,018	154,550	159,568
Euro	33	54	87	31	(25)	6
US Dollar	1	1	2	1	3	4
	2,187	128,465	130,652	5,050	154,528	159,578

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

Interest profile

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

Currency	Fixed rate	Floating rate	Financial assets	Total
	financial assets	financial assets	not carrying interest	
	£000	£000	£000	£000
Sterling	95,516	29,551	10,481	135,548
Euro	1,028	1,591	3,278	5,897
US Dollar	210	–	263	473
	96,754	31,142	14,022	141,918

Notes to the financial statements

Note 15 Financial instruments (continued)

Currency	Floating rate financial liabilities £000	Financial liabilities not carrying interest £000	Total £000
Sterling	–	(4,985)	(4,985)
Euro	–	(5,810)	(5,810)
US Dollar	–	(471)	(471)
	–	(11,266)	(11,266)

The interest rate risk profile of financial assets and liabilities at 31 May 2021 was:

Currency	Fixed rate financial assets £000	Floating rate financial assets £000	Financial assets not carrying interest £000	Total £000
Sterling	122,835	28,555	9,120	160,510
Euro	1,150	1,775	31	2,956
US Dollar	212	–	1	213
	124,197	30,330	9,152	163,679

Currency	Floating rate financial liabilities £000	Financial liabilities not carrying interest £000	Total £000
Sterling	–	(942)	(942)
Euro	–	(2,950)	(2,950)
US Dollar	–	(209)	(209)
	–	(4,101)	(4,101)

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

Sensitivity analysis

Interest rate risk sensitivity

Changes in interest rates or changes in expectation of future interest rates may result in an increase or decrease in the the market value of the investments held. A one percent increase in interest rates (based on current parameters used by the Manager's Investment Risk department) would have the effect of decreasing the return and net assets by £6,062,253 (31/05/21: £7,115,300). A one percent decrease would have an equal and opposite effect.

Foreign currency risk sensitivity

A five percent increase in the value of the Fund's foreign currency exposure would have the effect of increasing the return and net assets by £4,447 (31/05/21: £500). A five percent decrease would have an equal and opposite effect.

Market price risk sensitivity

A five percent increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £6,423,238 (31/05/21: £7,978,900). A five percent decrease would have an equal and opposite effect.

Notes to the financial statements

Note 16 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 31/05/22

Level	1	2	3	Total
Investment assets	£000	£000	£000	£000
Bonds	550	127,227	–	127,777
Derivatives	114	6	–	120
Money markets	731	–	–	731
	1,395	127,233	–	128,628
Investment liabilities	£000	£000	£000	£000
Derivatives	(108)	(55)	–	(163)
	(108)	(55)	–	(163)

For the year ended 31/05/21

Level	1	2	3	Total
Investment assets	£000	£000	£000	£000
Bonds	2,877	149,247	–	152,124
Derivatives	–	7	–	7
Money markets	2,397	–	–	2,397
	5,274	149,254	–	154,528
Investment liabilities	£000	£000	£000	£000
Derivatives	–	(28)	–	(28)
	–	(28)	–	(28)

Note 17 Portfolio transaction costs

For the year ended 31/05/22

Analysis of total purchases costs	Value £000	Commission £000	%	Taxes £000	%	Other expenses £000	%	Total costs £000
Bond transactions	35,281	–	–	–	–	–	–	35,281
Money markets	45,724	–	–	–	–	–	–	45,724
Corporate actions	–	–	–	–	–	–	–	–
Total	81,005	–	–	–	–	–	–	81,005

Analysis of total sales costs	Value £000	Commission £000	%	Taxes £000	%	Other expenses £000	%	Total costs £000
Bond transactions	41,593	–	–	–	–	–	–	41,593
Money markets	47,388	–	–	–	–	–	–	47,388
Corporate actions	4,465	–	–	–	–	–	–	4,465
Total	93,446	–	–	–	–	–	–	93,446

Notes to the financial statements

Note 17 Portfolio transaction costs (continued)

The Fund has paid £958 as commission on purchases and sales of derivatives transactions for the year ended 31/05/22.

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

Commission	0.00%
Taxes	0.00%
Other expenses	0.00%

For the year ended 31/05/21

	Value £000	Commission £000	%	Taxes £000	%	Other expenses £000	%	Total costs £000
Analysis of total purchases costs								
Bond transactions	41,597	–	–	–	–	–	–	41,597
Money markets	46,448	–	–	–	–	–	–	46,448
Total	<u>88,045</u>	<u>–</u>		<u>–</u>		<u>–</u>		<u>88,045</u>

	Value £000	Commission £000	%	Taxes £000	%	Other expenses £000	%	Total costs £000
Analysis of total sales costs								
Bond transactions	41,581	–	–	–	–	–	–	41,581
Money markets	46,165	–	–	–	–	–	–	46,165
Corporate actions	4,891	–	–	–	–	–	–	4,891
Total	<u>92,637</u>	<u>–</u>		<u>–</u>		<u>–</u>		<u>92,637</u>

The Fund has paid £164 as commission on purchases and sales of derivatives transactions for the year ended 31/05/21.

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

Commission	0.00%
Taxes	0.00%
Other expenses	0.00%

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

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

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

Direct transaction costs: Broker commissions, fees and taxes.

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

At the Balance sheet date the portfolio dealing spread was 0.47% (31/05/21: 0.47%) being the difference between the respective bid and offer prices for the Fund's investments.

Note 18 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 May 2022. Since the balance sheet date, the bid price of each of the Fund's unit classes have moved as follows:

	Bid Price 31/05/22 pence	Bid Price 21/09/22 pence	Movement (%)
Class 'B' Accumulation	98.87	91.95	(7.00)

Distribution tables

For the year ended 31 May 2022

Interim distribution in pence per unit

Group 1: units purchased prior to 1 June 2021

Group 2: units purchased 1 June 2021 to 30 November 2021

	Gross income	Equalisation	2022 pence per unit paid 31 Jan	2021 pence per unit paid 31 Jan
Class 'B' Accumulation				
Group 1	1.0631	–	1.0631	1.0827
Group 2	0.1458	0.9173	1.0631	1.0827

Final distribution in pence per unit

Group 1: units purchased prior to 1 December 2021

Group 2: units purchased 1 December 2021 to 31 May 2022

	Gross income	Equalisation	2022 pence per unit paid 31 Jul	2021 pence per unit paid 31 Jul
Class 'B' Accumulation				
Group 1	1.1060	–	1.1060	1.1092
Group 2	0.3228	0.7832	1.1060	1.1092

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 Bothwell Short Duration Credit 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 UK 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 Bothwell Short Duration Credit Fund ('the Trust') for the period ended 31 May 2022.

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

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Trust's units and the application of the Trust's income in accordance with the Regulations and the Scheme documents of the Trust; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Trust in accordance with the Regulations and the Scheme documents of the Trust.

London
28 September 2022

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
28 September 2022

Craig Baker, Director
Andrew Moss, Director

Independent auditor's report to the unitholders of the PUTM Bothwell Short Duration Credit Fund

Opinion

We have audited the financial statements of the PUTM Bothwell Short Duration Credit Fund ("the Fund") for the year ended 31 May 2022, which comprise the Statement of Total Return, the Statement of Change in Unitholders' Funds, the Balance Sheet, the Distribution Tables and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Fund as at 31 May 2022 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

Independent auditor's report to the unitholders of the PUTM Bothwell Short Duration Credit Fund

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.

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 28, 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

Independent auditor's report to the unitholders of the PUTM Bothwell Short Duration Credit Fund

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.

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. Our procedures involved journal entry testing by specific risk criteria, with a focus on manual top side financial statement adjustments and journals indicating large or unusual transactions based on our understanding of the business.
- 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 Fund's unitholders, 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 Fund's unitholders 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 Fund's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP
Statutory Auditor
Edinburgh
28 September 2022

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.

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 2021

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

Corporate information (unaudited)

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.

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 UK UCITS Board and PUTM Executive Committees.

Other Code Staff includes all other UK 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 Short Duration Credit Fund. This has been performed based on the information available as at 31 May 2022.

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

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

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

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

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

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

Risks

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

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

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

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

Andrew Moss PUTM Director, Chief Executive
Phoenix Life;

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

Mike Urmston 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

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

Trustee

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

Independent Auditor

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

Authorised status

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

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**

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.