

# SARASIN

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# Annual report and audited accounts

**31 December 2019**

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## **Sarasin Charity Authorised Investment Funds**

Sarasin Endowments Fund  
Sarasin Income and Reserves Fund  
Sarasin Climate Active Endowments Fund

**For the year 1 January 2019 to 31 December 2019**

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# Sarasin Charity Authorised Investment Funds

Sarasin Charity Authorised Investment Funds (“the Trust”) is an authorised unit trust. The Trust is authorised by the FCA and is registered with the Charity Commission. The Trust is structured as an umbrella authorised unit trust in that different sub-funds may be established from time to time.

The Trust is authorised by the FCA from 7th December 2017 and appears on the financial services register under product reference number (PRN) 791274. The Trust is registered with the Charity Commission as a charity. Its charity registration number is 1176240.

The Trust currently has three sub-funds;

Sarasin Climate Active Endowments Fund was launched on 16th February 2018.

Sarasin Endowments Fund was launched on 23rd February 2018 as a result of receiving the assets of the Alpha Common Investment Fund for Endowments by way of a fund merger.

Sarasin Income & Reserves Fund was launched on 23rd February 2018 as a result of receiving the assets of the Alpha Fund for Income & Reserves by way of a fund merger.

Each sub-fund has an independent Advisory Committee which is independent from Sarasin Investment Funds Limited (“the Operator”) and NatWest Trustee and Depositary Services Limited (“the Trustee”). The Advisory Committees have a consultative role and are tasked with representing the interests of Unitholders.

**Advisory Committee of Sarasin Climate Active Endowments Fund (as at 31st December 2019)**

Mr. C. Stephens (Chairman)  
Mr. E. Mason

**Advisory Committee of Sarasin Endowments Fund (as at 31st December 2019)**

Mr. J. Harbord-Hamond (Chairman)  
Mr. J.J. Foster  
Brigadier A.F. Gordon  
Mr. C. Menzies

**Advisory Committee of Sarasin Income & Reserves Fund (as at 31st December 2019)**

Mr. J. Harbord-Hamond (Chairman)  
Mr. J.J. Foster  
Brigadier A.F. Gordon  
Mr. C. Menzies

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# Professional Service Providers' Details

## **Corporate Trustee**

NatWest Trustee and Depositary Services Limited  
Drummond House  
2nd Floor  
1 Redheughs Avenue  
Edinburgh EH12 9RH

(Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority)

The Trustee has a supervisory role regarding certain aspects of administration and management of the sub-funds. These responsibilities include oversight of the Operator and its compliance with the Prospectus, oversight of the Registrar and for the custody and control of the property of the sub-funds which, in this instance, it has delegated to Northern Trust. Full details of the Trustee responsibilities are set out on page 13.

The Reports of the Trustee can be found on page 12.

## **Operator**

Sarasin Investment Funds Limited  
Juxon House  
100 St. Paul's Churchyard  
London EC4M 8BU  
Tel: 020 7038 7000  
Fax: 020 7038 6851  
(Authorised and regulated by the Financial  
Conduct Authority)

## **Investment Manager**

Sarasin & Partners LLP  
Juxon House  
100 St. Paul's Churchyard  
London EC4M 8BU  
Tel: 020 7038 7000  
Fax: 020 7038 6851  
(Authorised and regulated by the Financial  
Conduct Authority)

The Operator is responsible for certain aspects of administration and management of the sub-funds as set out in full on page 11. These responsibilities include the management of the investments of the sub-funds and a duty to carry out regular valuations of the property of the sub-funds. Sarasin Investment Funds Limited, as Operator, has appointed Sarasin & Partners LLP as Investment Manager to the sub-funds. Both entities are members of the Bank J Safra Sarasin Group.

The Directors of the Operator are G.V. Matthews, S.A.M. Jeffries, C. Bell (resigned as a Director on 19th December 2019), J. Lake (resigned as a Director on 31st March 2020), G. Steinberg (appointed as an Independent Non-Executive Director and Chairperson on 30th July 2019), and E. Tracey (appointed as an Independent Non-Executive Director on 4th October 2019). The Report of the Operator can be found on page 10.

## **Independent Auditor**

Deloitte LLP  
Saltire Court  
20 Castle Terrace  
Edinburgh EH1 2DB

## **Registrar**

Northern Trust Global Services SE UK Branch  
50 Bank Street  
Canary Wharf  
London E14 5NT  
Tel: 0333 300 0373  
Fax: 020 7982 3924

## **Prospectus**

Full details of the sub-funds are contained in the Prospectus. Copies of the Prospectus are available free of charge from the Operator, and the Trust Deed is available for inspection at the offices of the Operator.

# Sarasin Charity Authorised Investment Funds

## Market Review 2019

### World economy

The year of 2019 started with elevated uncertainty, following a fourth quarter of 2018 that had seen deteriorating macro data and heightened political tensions, which culminated in a significant global equity market sell off. In the months that followed, industrial production indicators continued to slow globally, particularly within manufacturing, while trade and sentiment continued to be suppressed by US-China trade tensions. Although the year ended with signs of a partial resolution and the prospect of a 'Phase 1' trade deal, irreparable damage had already been done and uncertainty continues to cloud the future state cooperation between the two nations. Central banks provided some respite in a widespread return to monetary policy easing.

In the US, the longest economic expansion continued, although at a slower rate than previously. An increasingly tight labour market and rising wages continued to support healthy consumer spending, which has underpinned US growth. However, despite the unemployment rate ending the year at its lowest point since late 1969, inflation has been sluggish and remained below target. Furthermore, investment spending decelerated. In response, the Federal Reserve turned increasingly dovish over the economic outlook, resulting in three insurance-style interest rate cuts in July, September and October.

China also experienced challenging and uncertain conditions since the start of 2019, more readily linked to effects of US tariffs. Seemingly having come close to a deal with the China on a couple of occasions this year, US President Donald Trump's brinksmanship-like tactics resulted in tariffs on around \$370bn worth of Chinese goods, the latest of which were implemented in September. In response the Chinese government imposed tariffs on US goods and allowed the currency to depreciate in an effort to offset some of the price effects of tariffs. Aside from the ramifications of trade disputes, slowing industrial production and the African swine fever pandemic heightened feelings of nervousness about the Chinese economy. In an effort to mitigate these risks, the central government utilized monetary and fiscal policy, in the form of RRR cuts and tax cuts.

The euro Area continued to languish from the effects of weak industrial production and weak global trade, leading to lacklustre growth across the bloc. Despite this however, wages continued to grow at a reasonable pace and consumer spending held up. Monetary policy turned accommodative yet again, with the ECB enacting a 10bp cut to interest rates in September, along with the resumption of QE at a rate of €20bn a month. Departing ECB Governor Mario Draghi urged governments to do more on structural reforms and fiscal policy.

In the UK, Brexit uncertainty continued to dominate the headlines with the original March Brexit deadline extended twice, and Theresa May handing the baton to Boris Johnson. The Markit PMI, a widely used business sentiment indicator, trended down over the course of the year, led by falling manufacturing production as well as services. The labour market remained increasingly tight, with positive wage growth underpinning consumer spending for much of the year, although this has cooled in the past few months. Furthermore, inflation has been sluggish and the rate of economic growth has continued to slow. As such, the Bank of England tilted dovish towards the end of the year having kept rates on hold in 2019.

### Global equities

The year of 2019 was a case study in the competing dynamics of geopolitical uncertainty and the ability of central banks to stimulate financial markets – with the latter eventually winning out. This is not to say that uncertainty did not weigh on markets however. Escalating trade tensions between the US and China have repeatedly interrupted periods of relative calm causing bouts of volatility. Likewise, a government shut down in the US, ongoing Brexit negotiations and civil unrest in Hong Kong have contributed to a general feeling of uncertainty. Add to this the backdrop of a global manufacturing slump resulting in muted economic growth and you might expect that this would be a difficult environment for risk assets. Nevertheless, monetary stimulus was the dominant force and global equities climbed a wall of worry supported by central bank rate cuts and, in the case of the ECB, the resumption of QE. Ultimately, recognising that the market sell off in Q4 2018 provided a low base, global equities rose significantly in 2019 with the MSCI ACWI (\$) up 26.6%.

Within equities, the US was the best performing region, followed by Europe and the UK. It was a decidedly poor year for EM equity markets which were not helped by a strong Dollar, trade tensions between the US and China and pockets of political uncertainty, such as Hong Kong and Venezuela. Information Technology was once again the best performing sector driven by growth mega caps, such as Microsoft and Apple. In contrast, energy was the worst performing sector as US Shale Oil inundated the global oil market causing reserves to reach record levels.

### Fixed income

Gilts rallied from 1.25% at the start of the year to less than 0.4% at the height of the global growth "scare" in early September (which also coincided with peak Brexit anxiety) before retracing higher to finish the year at 0.8%. This translated to a total return of 7.0% to the ICE Gilts All Stocks Index.

Meanwhile, inflation-linked gilts, after an extremely strong start to the year, were hit hard in Q4 by the duration sell-off (linker index is roughly twice the length of the conventional index). This was compounded by a statement in early September by UK Chancellor Javid appearing to set in motion the long drawn-out process by which RPI, upon which UK linker valuations are based, is gradually aligned with the preferred CPIH methodology. The ultimate effect of this would be to reduce RPI in the long-run by ca 0.9%; however, implementation remains distant and uncertain. The linker index returned +6.3% in 2019.

## Market Review 2019 (continued)

UK credit saw a very strong Q1 (rebounding from a torrid 4Q18) and Q4, with solid performance in between, for a cumulative 580bp of outperformance vs duration-matched gilts, the strongest relative performance since 2013. The strength into year-end derived from a number of factors. Firstly, bottoming global leading economic indicators and an eventual improvement in the tone of negotiations on both China-US trade and Brexit bolstered the macro environment. Secondly, the ECB's resuming QE and the Fed's expanding its balance sheet in Q4 at the fastest pace since the Great Financial Crisis provided particular impetus to credit markets. Finally, the resounding majority achieved by the Conservative Party at the December 2019 General Election removed the long shadow of "Corbyn risk" from the sterling credit market, particularly sectors such as banking and utilities. Returns to UK credit for 2019 as a whole were in the range of 9-11%.

### Currencies

Developed currencies have remained largely rangebound in 2019. Despite three rate cuts in the US, dollar depreciation - when compared against a basket of developed nation currencies - was marginal at best, as the economy remained relatively robust compared to other developed nations and geopolitical machinations tended to dominate currency markets. It was a volatile year for sterling as a government impasse over Brexit eventually led to the resignation of Prime Minister Theresa May, then replaced by ardent Brexiteer Boris Johnson who adopted a dogmatic stance to negotiations, before eventually securing a deal and winning a general election in December. All told, this left sterling at \$1.32 (+4%YoY) having traded down to \$1.20 at the height of 'No-Deal' anxiety. The continued malaise of European manufacturing and loosening ECB policy led to modest euro depreciation (vs USD). Meanwhile, the Swiss franc and Japanese yen traded marginally stronger over the course of the year, tending to react to political uncertainty and signs of economic deterioration. For emerging market forex, the carry trade was very much in evidence as high-yielders (Argentinian peso, Russian ruble, Mexican peso etc.) produced positive returns versus USD (and to a lesser extent vs GBP), whilst low yielders in Europe and Asia tended to produce negative returns (weighed down by weak performance of the euro and Chinese yuan).

Guy Monson  
Chief Investment Officer  
Sarasin & Partners LLP  
21st January 2020

All opinions and estimates contained in this report constitute Sarasin & Partners LLP's judgement and view as of the date of the report and are subject to change without notice. This report was compiled prior to the onset of the COVID-19 pandemic, which has resulted in volatility and uncertainty in global financial markets. This post balance sheet event is disclosed in the Report of the Operator and in the Post Balance Sheet Events Notes of the sub-funds.

### **The Socially Responsible Investment Policy**

The Sarasin Charity Authorised Investment Funds will not invest in companies manufacturing tobacco related products.

In addition, they will avoid investment in companies with above the materiality threshold of their turnover in:

Adult Entertainment  
Alcohol  
Armaments  
Civilian Firearms  
Cluster Bombs & Landmines  
Gambling  
Tobacco

Furthermore, Sarasin Charity Authorised Investment Funds will avoid investment in companies with above the materiality threshold of their turnover in tar sands oil or thermal coal.

The Operator does not believe that these restrictions will materially impact on the performance of any sub-fund and expects them to increase its appeal to charities.

The Trust will be active in voting on company resolutions and will engage in direct dialogue with companies where appropriate.

### **Notification of Amendments**

#### **Changes to the Directorship of the Operator**

On 30th July 2019, Gary Steinberg was appointed as Independent Non-Executive Director and Chairperson. Elizabeth Tracey was appointed as Independent Non-Executive Director on 4th October 2019. Chris Bell resigned as a Director on 19th December 2019 and John Lake resigned as a Non-Executive Director on 31st March 2020.

### **Assessment of Value**

Sarasin Investment Funds Limited has published an Assessment of Value in respect of its funds, including the Trust, covering the financial year ended 2019. The statement is available at [www.sarasinandpartners.com](http://www.sarasinandpartners.com).

### **AIFMD Disclosure**

The provisions of the Alternative Investment Fund Managers Directive ("AIFMD") took effect in full on 22nd July 2014. That legislation requires the fund manager, Sarasin Investment Funds Limited (the "AIFM"), to establish and apply remuneration policies and practices that are consistent with, and promote, sound and effective risk management and that neither encourage risk taking which is inconsistent with the risk profiles, prospectuses, trust deeds and deeds of constitution of the Alternative Investment Funds to which it has been appointed (the "Trust") nor impair compliance with the AIFM's duty to act in the best interests of the Trust.

As the nature and range of the AIFM's activities, its internal organisation and operations are, in the Directors' opinion, limited in their nature, scale and complexity, that is, to the business of a management company engaging in collective portfolio management of investments of capital raised from the public, this is reflected in the manner in which the AIFM has addressed certain requirements regarding remuneration imposed upon it by the Regulations.

The board of directors of the AIFM (the "Board") consists of four directors with two further directors serving during the year to 19 December 2019 (each a Director). The AIFM has no additional employees.

The AIFM has delegated the performance of the investment of the Trust to Sarasin & Partners LLP (the "Investment Manager").

As noted below, the AIFM relies on the remuneration policies and procedures of each delegate to ensure that their remuneration structures promote a culture of investor protection and mitigate conflicts of interest.

The Regulations provide that the remuneration policies and practices shall apply to those categories of staff, including senior management, risk takers, control functions and any employee receiving total remuneration that falls within the remuneration bracket of senior management and risk takers whose professional activities have a material impact on the risk profiles of the Trust.

It should be noted that the AIFM has appointed the Board and has no additional employees. The AIFM has also appointed the Investment Manager under an investment management agreement, which sets out the commercial terms under which the Investment Manager is appointed. Given that the AIFM does not directly remunerate any individuals engaged in the performance of the investment management activity, and staff of the Investment Manager are not remunerated solely for their work in relation to services provided to the AIFM, it is not possible to separately identify remuneration related to service provision specific to the AIFM, and any allocation approach is considered, by the Board, not to provide meaningful disclosure.

The Directors are therefore considered to be those that have a material impact on the risk profile of the Trust. Accordingly, the remuneration provisions of the Regulations only affect the AIFM with regard to the Board. Each Director is entitled to be paid a fixed director's fee based on an expected number of meetings and the work required to oversee the operations of the AIFM, which is considered to be consistent with the powers, tasks, expertise and responsibility of the Directors. The fee payable to each Director is reviewed from time to time, based on the evolution of the AIFM's activities and the aggregate fees payable are disclosed in the prospectus of the Trust.

The Directors do not receive performance based variable remuneration, therefore avoiding any potential conflicts of interest. In addition, two of the serving Directors plus one additional Director serving during the year have waived the fees to which they would otherwise be entitled. No amounts were paid directly from the Trust.



**AIFMD Disclosure (continued)**

The total fixed and variable remuneration of the Directors of the Board considered to comprise the entire staff of the Operator for the financial year ending 31st December 2019, is analysed below:

Fixed Remuneration	£33,333
Variable Remuneration	-
<b>Total</b>	<b>£33,333</b>

Given the internal organisation of the AIFM, and considering its size with the limited nature, scope and complexity of its activities, it is not considered proportionate for the AIFM to set up a remuneration committee. The Board notes that the net assets of the Trust and the legal structure of the AIFM as a management company with a Board of Directors and no other employees are factors supporting the view that a remuneration committee would not be considered appropriate for the AIFM.

The Board receives confirmation from the Investment Manager on an annual basis that there has been no material change to its remuneration policy, or if there has been a material change, receives details of those changes to the Board.

The Remuneration Policies of Sarasin Investment Funds Limited and Sarasin & Partners LLP are available at <http://www.sarasinandpartners.com/important-information>.

**Leverage**

In accordance with the requirements of AIFMD regulations, the AIFMD must set a maximum level of leverage for the Trust and report to investors the total amount of leverage employed by the Trust. Arrangements must also be in place to ensure compliance with the leverage limits.

The leverage limits and the actual leverage employed at the balance sheet date were:

<b>Leverage Limit</b>	<b>Gross</b>	<b>Commitment</b>
	200%	110%
<b>Actual</b>	<b>Gross</b>	<b>Commitment</b>
Sarasin Endowments Fund	124%	95%
Sarasin Income and Reserves Fund	99%	95%
Sarasin Climate Active Endowments Fund	124%	95%

The calculation of the Gross Leverage figure does not:

- make a distinction between financial derivative instruments that are used for investment or hedging purposes. As a result, strategies that aim to reduce risk will contribute to an increased level of leverage for the Trust.
- allow the netting of derivative positions. As a result, derivative roll-overs and strategies relying on a combination of long and short positions may contribute to a large increase of the level of leverage when they do not increase, or only cause a moderate increase to, the overall Trust risk.
- take into account the derivative underlying assets' volatility or make a distinction between short-dated or long-dated assets. As a result, a Trust that exhibits a high level of leverage is not necessarily riskier than a Trust that exhibits a low level of leverage.

**Statement of the Advisory Committees' Responsibilities (Sarasin Endowments Fund and Sarasin Income & Reserves Fund)**

Each sub-fund of the CAIF has an Advisory Committee which is independent from the Operator and Depositary. It has a consultative role and is tasked with representing the interests of Unitholders as set out in Section 6.4 of the Prospectus.

The Advisory Committees meet four times per year to consider and, if necessary, make representations to the Operator, in relation to:

- the appointment of the Operator's and Depositary's delegates;
- the investment objective of the sub-fund;
- the investment policy of the sub-fund;
- the income distribution policy of the sub-fund; and
- fees and charges associated with each Class of Units.

The Advisory Committees of Sarasin Endowments Fund and Sarasin Income & Reserves Fund are pleased to report on the discharge of their responsibilities for the year ending 31st December 2019 as set out above.

We bring to our responsibilities a wide range of investment, charity and professional experience. At our quarterly meetings with the Investment Manager, we are able to ask the sort of questions that individual charities would ask if they had their own portfolio. We seek reassurance that the Funds are managed appropriately and that policies set by the Operator or by the Investment Manager remain suitable and have been complied with.

At every meeting we review investment performance, compliance and a report from the Trustee. Over the year, we also review the costs associated with managing the Funds, including the Operator's remuneration and the Total Expense Ratio. We take a critical look at the Investment Objectives and Policies to ensure that they remain appropriate to the Funds.

The Committees' review of each sub-fund, and our advice, remains positive.

Mr. J. Harbord-Hamond  
Chairman of the Advisory Committees of Sarasin Endowments Fund and Sarasin Income & Reserves Fund  
29 June 2020

**Statement of the Advisory Committee's Responsibilities (Sarasin Climate Active Endowments Fund)**

Each sub-fund of the CAIF has an Advisory Committee which is independent from the Operator and Depositary. It has a consultative role and is tasked with representing the interests of Unitholders as set out in Section 6.4 of the Prospectus.

The Advisory Committee meets four times per year and will consider, and can make representations to the Operator, in relation to:

- the appointment of the Operator's and Depositary's delegates;
- the investment objective of the sub-fund;
- the investment policy of the sub-fund;
- the income distribution policy of the sub-fund; and
- fees and charges associated with each Class of Units.

The Advisory Committee of Sarasin Climate Active Endowments Fund is pleased to report on the discharge of its responsibilities for the year ending 31st December 2019 as set out above.

We bring a range of investment, charity and fund management experience. In our early meetings we have reviewed the performance of the fund, the competitive landscape and the Climate Active initiatives being pioneered by Sarasin. We have challenged the fund manager from the perspective of the trustees of the charities who have invested, or may choose to invest, in the fund.

At each meeting, in addition to reviewing investment performance, we have reviewed compliance and received a report from the trustee. We also reviewed the costs associated with managing the funds, including the Operator's remuneration and Total Expense Ratio. We take a critical look at the Investment objective to ensure that it remains appropriate to the fund.

Mr. C. Stephens  
Chairman of the Advisory Committees of Sarasin Climate Active Endowments Fund  
29 June 2020

**The Advisory Committee to Sarasin Climate Active Endowments Fund:**

**Christopher Stephens** is currently Chairman of the OCS Group, a privately owned facilities services company. He was previously Chairman of the DHL Foundation and Chairman of the Judicial Appointments Commission.

**Edward Mason** is currently Head of Responsible Investment for the Church Commissioners for England, the Church of England's endowment fund.

### Report of the Operator

Sarasin Investment Funds Limited is the Operator of Sarasin Charity Authorised Investment Funds (the "Trust") and in accordance with the Trust Documents is solely responsible for the selection of the investments, subject to the Trust's investment objective, investment policy, and the terms of the Trust Documents.

The Operator has appointed Sarasin & Partners LLP as the Investment Manager to the Trust (the "Investment Manager"). The Investment Manager provides discretionary investment dealing services together with the related research and valuation facilities in a wide range of investments. The Investment Manager has the authority to make decisions on our behalf, subject to the provisions of the Trust Documents, the Prospectus, the Regulations, the investment objective, and the investment policy of the Trust.

The Board of Directors of Sarasin Investment Funds Limited meets at least four times a year to consider the status of the Trust and the performance of the Investment Manager, including review of the investment guidelines and the risk management and controls in place. In addition, the Operator reviews a quarterly report from the Corporate Trustee and a Compliance Report that details any issues over the year.

Under the Charities Act 2011, the Operator is required to prepare financial statements for each accounting year which comply with The Charities (Accounts and Reports) Regulations 2008 and which give a true and fair view of the financial position of the Trust at the end of the year, the amounts to be distributed, and the movement in net assets for the year.

In preparing the financial statements, the Operator is required to use suitable accounting policies and apply them consistently and to make reasonable and prudent judgments and estimates. The financial statements are prepared in accordance with applicable UK accounting standards and on the basis that the Trust will continue in operation.

On 31st January 2020, the UK ceased to be a member of the European Union (EU), an event commonly referred to as Brexit. While the terms of the UK's departure have been agreed, the nature of the future relationship between the UK and the EU is subject to continuing negotiation during a transition period that is due to end on 31st December 2020. During this period, EU regulation still applies in the UK and the trading relationship remains as it was prior to 31st January 2020.

At present, there remains uncertainty regarding the shape of regulation post-transition and the extent to which market access between the UK and the EU will operate. The Directors of the Operator do not believe that Brexit will present significant issues that cannot be mitigated; sub-fund shareholders are predominantly UK based whilst core counterparties of, and service providers to, the Trust, have contingent arrangements available as necessary to ensure that activities can continue with minimal disruption. The Directors of the Operator continue to monitor the situation carefully, and will plan appropriately.

The COVID-19 epidemic is believed to have originated in Wuhan, Hubei, China. While containment efforts were made to slow the spread of the epidemic, the outbreak has now spread globally and has led to the World Health Organisation declaring the COVID-19 outbreak a pandemic on 11 March 2020. The Board of Directors of the Operator are aware that global financial markets have been monitoring and reacting to the outbreak. All markets have incurred increased volatility and uncertainty since the onset of the pandemic.

The Board of Directors of the Operator have also noted the operational risks that are posed to the sub-funds and their service providers, principally the investment manager, administrator and depository, due to global and local movement restrictions that have been enacted by various governments. The Operator and its service providers have maintained full operational continuity following the adoption of home-based working protocols in line with UK Government guidance.

Post year-end investment performance and net investor flow information is disclosed in the Post Balance Sheet Events Notes of the sub-funds.

COVID-19 pandemic is an unprecedented event and the eventual impact on the global economy and markets will largely depend on the scale and duration of the outbreak. The Board of Directors of the Operator will continue to monitor the situation.

Having considered relevant factors, including Brexit and the impact of COVID-19, the Directors of the Operator are of the opinion that it is appropriate to continue to adopt the going concern basis in the preparation of the Financial Statements. The assets of the Trust consist predominantly of securities that are readily realisable, and accordingly, the Trust has adequate resources to continue in operational existence for the foreseeable future.

The Operator is responsible for the administration and management of the Trust including its investments. The Operator must carry out regular valuations of the Trust's property and will ensure that the units are properly priced.

G. V. Matthews  
Director of Sarasin Investment Funds Limited  
29 June 2020

### **Statement of the Operator's Responsibilities**

The Operator, Sarasin Investment Funds Limited, is the authorised fund manager for the purposes of the Regulations and the alternative investment fund manager (or AIFM) for the purposes of the AIFMD Requirements.

The Operator is a private company limited by shares that was incorporated in England and Wales on 10th November 1987.

The Operator is responsible for managing and administering the Trust's affairs in compliance with the Regulations. The Operator has authority to enter into contracts on behalf of the Unitholders for the purposes of, or in connection with, the acquisition, management and/or disposal of property subject to the Trust.

The Operator may delegate investment management, administration and marketing functions in accordance with the Regulations. Notwithstanding such delegation, the Operator remains responsible for any functions so delegated.

It has therefore delegated:

- to the Northern Trust Global Services SE UK Branch, the function of administration, including fund accounting; and
- to the Northern Trust Global Services SE UK Branch, the function of maintenance of the Register of Unitholders.

The Authorised Unit Trust Manager (the "Operator") of Sarasin Investment Funds Limited (the "Trust") is responsible for preparing the Annual Report and the financial statements in accordance with the Financial Conduct Authority's Collective Investment Scheme's Sourcebook ("COLL") and the Scheme's Trust Deed.

COLL requires the Operator to prepare financial statements for each annual accounting year which:

- are in accordance with United Kingdom Generally Accepted Accounting Practice ("United Kingdom Accounting Standards and applicable law"), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice: "Financial Statements of Authorised Funds" issued by the Investment Management Association ("IMA SORP") in May 2014; and
- give a true and fair view of the financial position of the Trust and each of its sub-funds as at the end of that year and the net revenue and the net capital gains or losses on the property of the Trust and each of its sub-funds for that year.

In preparing the financial statements, the Operator is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the IMA SORP have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Trust will continue in operation.

The Operator is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Trust and enable it to ensure that the financial statements comply with the applicable IMA SORP and United Kingdom Accounting Standards and applicable law. The Operator is also responsible for the system of internal controls, for safeguarding the assets of the Trust and for taking reasonable steps for the prevention and detection of fraud and other irregularities. In accordance with COLL 4.5.8BR, the Annual Report and the audited financial statements were approved by the board of directors of the Manager of the Trust and authorized for issue on 29th June 2020.

**Report of the Trustee to the Unitholders of the Sarasin Charity Authorised Investment Funds (the "Trust") for the Year Ended 31st December 2019.**

The Trustee must ensure that the Trust is managed in accordance with the Financial Conduct Authority's Collective Investment Fund's Sourcebook, Investment Funds Sourcebook, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Trust Deed and Prospectus (together "the Trust Documents") as detailed below.

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

The Trustee 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 Trustee must ensure that:

- the Trust's cash flows are properly monitored and that cash of the Trust is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units in the Trust is 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 Alternative Investment Fund Manager (the "AIFM") are carried out (unless they conflict with the Regulations).

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

Having carried out such procedures as we consider necessary to discharge our responsibilities as Trustee 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 AIFM;

(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 Trust documents, and

(ii) has observed the investment and borrowing powers and restrictions applicable to the Trust.

NatWest Trustee and Depositary Services Limited  
Trustee & Depositary Services  
Edinburgh  
29 June 2020

**Statement of the Trustee's Responsibilities**

The trustee and depositary of the Trust is NaWest Trustee and Depositary Services Limited, a private company limited by shares (registered number 11194605) which was incorporated in England and Wales on 8th February 2018.

The registered and head office of the Depositary is at 250 Bishopsgate, London EC2M 4AA. Its principal business activity is acting as trustee and depositary of collective investment schemes. The ultimate holding company of the Depositary is The Royal Bank of Scotland Group plc, which is a company incorporated in Scotland.

The Depositary is authorised by and regulated by the Financial Conduct Authority.

The Depositary is responsible for the safekeeping of the Scheme Property and has a duty to take reasonable care to ensure that the Trust is managed in accordance with the provisions of the Regulations relating to the pricing of, and dealing in, Units and the allocation and distribution of income of the Trust and that decisions about the investment of the Scheme Property of each Sub-fund do not infringe any of the investment restrictions set out in the COLL Sourcebook.

## **Independent Auditor's Report to the Unitholders of The Sarasin Charity Authorised Investment Funds**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion, the financial statements of Sarasin Charity Authorised Investment Funds (the "Trust"):

- give a true and fair view of the financial position of the Trust and the sub-funds as at 31st December 2019 and of the net revenue and the net capital gains on the property of the sub-funds for the year ended 31st December 2019; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", the Statement of Recommended Practice "Financial Statements of UK Authorised Funds", the rules in the Collective Investment Schemes Sourcebook and the Trust Deed; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

We have audited the financial statements of the Trust which comprise for each sub-fund:

- the Statement of Total Return;
- the Statement of Change in Net Assets Attributable to Unitholders;
- the Balance Sheet;
- the related notes 1 to 17; and
- the Distribution Tables.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), The Statement of Recommended Practice: "Financial Statements of UK Authorised Funds" issued by the Investment Association in May 2014, the Collective Investment Schemes Sourcebook and the Trust Deed.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC's") Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

#### **Other information**

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



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

We have nothing to report in respect of these matters.

#### **Responsibilities of Trustee and Operator**

As explained more fully in the Statement of the Trustee's Responsibilities and the Statement of Operator's Responsibilities, the Trustee is responsible for safeguarding the property of the Trust and the Operator 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 Operator determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

#### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Collective Investment Schemes Sourcebook**

In our opinion:

- proper accounting records for the Trust have been kept and the financial statements are in agreement with those records;
- we have received all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit; and
- the information disclosed in the annual report for the year ended 31st December 2019 for the purpose of complying with Paragraph 4.5.9R of the Collective Investment Schemes Sourcebook is consistent with the financial statements.

#### **Use of our report**

This report is made solely to the Trust's unitholders, as a body, in accordance with Paragraph 4.5.12R of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority and Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the Trust'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 Trust and the Trust's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

**Deloitte LLP**  
Statutory Auditor  
Edinburgh, United Kingdom  
30 June 2020

# Notes

## Notes to the financial statements For the year ended 31st December 2019

### 1. Accounting Policies

#### a.) Basis of Accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice (SORP) for UK Authorised Funds issued by the Investment Association (IA) in May 2014, the Charities (Accounts and Reports) Regulations 2008 and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

The Operator is confident that the Trust will continue in operation and be able to meet its liabilities as they fall due for at least the next twelve months from the approval of these financial statements. In this context, the impact of COVID-19 on the Trust has been considered and has been disclosed in the Report of the Operator and in the Post Balance Sheet Events Notes of the sub-funds. The Trust has adequate financial resources and its assets consist of securities, which are readily realisable. As such, the financial statements have been prepared on the going concern basis.

#### b.) Functional and presentation currency

The functional and presentation currency of each sub-fund is Pounds Sterling.

#### c.) Recognition, classification and derecognition of investments

Financial assets and financial liabilities are recognised in the sub-funds' balance sheet when the sub-funds become a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially recognised at transaction price (including transaction costs) and subsequently measured at amortised cost, except for the sub-funds' investments classified as financial assets at fair value through profit or loss, which are initially recognised at fair value (excluding transaction costs).

#### d.) Valuations

Quoted investments have been valued at bid-market value using prices as at close of business of 31st December 2019, being the last working day of the accounting period, net of any accrued interest which is included in the balance sheet as revenue. Investments in Collective Investment Schemes operated by the Operator are valued at their single price; those managed by other management groups are valued at their contractual bid price.

The valuation of unlisted investments is based on the Operator's assessment of their estimated realisable value. Suspended securities are valued initially at the suspended price but are subject to constant review.

#### e.) Revenue

Dividends on equities and distributions from Collective Investment Schemes are recognised on the day when quoted ex-dividend or ex-distribution, respectively. Interest on bank deposits is accrued on a day to day basis. Interest on debt securities is recognised on an accruals basis, taking into account the effective yield on the investment. The effective yield basis amortises any discount or premium on the purchase of an investment over its remaining life.

#### f.) Derivative Financial Instruments

For returns on an option, which has the immediate effect of generating a material capital loss, for instance it is written materially "in the money", then all returns including premiums received, would be regarded as capital in nature. However, if there is no immediate capital loss generated or an immaterial capital loss is generated due to market timing, and not as a direct result of attempting to manufacture income at the expense of capital, the premium received is treated as revenue notwithstanding that any future losses may be treated as capital.

#### g.) Management Fee Rebates

Rebates on the underlying funds' management fees are accounted for on an accruals basis and are subsequently attributed to the Trust's revenue or capital consistent with the fee structure of the underlying fund.

#### h.) Exchange Rates

Where applicable, transactions during the year have been translated into sterling at the rate of exchange ruling at the date of transaction. Revenue received in foreign currency has been translated into sterling at the rates of exchange ruling on the date of receipt by the Trustee. Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at year end.

#### i.) Scrip Dividends

Ordinary scrip dividends are wholly recognised as revenue and are based on the market value of the shares on the date they are quoted ex-dividend. Where an enhancement is offered, the enhancement element is taken to capital.

## 1. Accounting Policies (continued)

### *j.) Special Dividends and Share Buy-backs*

Special dividends and proceeds from share buy-backs are reviewed on a case by case basis in determining whether the amount is revenue or capital in nature. Where there is evidence to treat all or some of such receipts as revenue, such amounts are recognised as dividend revenue of the Trust. Any tax treatment would follow the accounting treatment of the principal amount.

### *k.) Distribution*

Revenue produced by the Trust's investments accumulates during each accounting year. The Trust may operate a revenue 'Reserve' account, which remains part of the Trust Property, in order to conduct a controlled distribution flow to unitholders, subject to the provisions of the Trust Documents. Distributions to unitholders will be made on a coupon basis, when it will enable a higher distribution to be paid to unitholders than on the effective yield basis, as detailed in Note 1 (e). All distributions unclaimed for a period of six years after having become due for payment shall be forfeited and shall revert to the capital of the Trust.

### *l.) Investment Gains and Losses*

Gains and losses, including exchange differences, on the realisation of investments and increases and decreases in the valuation of investments held at the balance sheet date, including unrealised exchange differences, are treated as capital.

### *m.) Expenses*

All expenses and fees have been apportioned to capital for the Trust. Details of expenses are disclosed in note 4 on pages 36, 66 and 96.

The annual management fee is calculated on the total net assets of the Trust: to the extent that any of the net assets are separately managed by subsidiaries of Sarasin Investment Funds Limited, then the periodic charge is rebated to the value of the subsidiaries' periodic charge made to the underlying holding.

### *n.) Valuation Techniques*

#### *Level 1*

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. A quoted market price in an active market provides the most reliable evidence of fair value and is used without adjustment to measure fair value whenever available, with limited exceptions. If an entity holds a position in a single asset or liability and the asset or liability is traded in an active market, the fair value of the asset or liability is measured within Level 1 as the product of the quoted price for the individual asset or liability and the quantity held by the entity, even if the market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

#### *Level 2*

Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, for example interest rates and yield curves observable at commonly quoted intervals, implied volatilities, credit spreads, inputs that are derived principally from or corroborated by observable market data by correlation or other means ('market-corroborated inputs').

For Sarasin Funds, there are corporate bonds which fall in to this category as despite quoted prices being available, trading can be sporadic and there are often significant lengths of time between traded arm's length transactions.

#### *Level 3*

Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. An entity develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data, taking into account all information about market participant assumptions that is reasonably available.

Where assets are subject to administration or orderly realisation processes, the Operator may adjust the price to reflect what he considers a more realistic value in the circumstances. The rationale and pricing method is agreed with the Trustee and monitored frequently.

**1. Accounting Policies (continued)**

*o.) Dilution Levy*

In certain circumstances, the Operator may charge a dilution levy, in accordance with the Financial Conduct Authority Regulations, on all subscriptions and redemptions of shares, which is paid into the sub-funds and included in the Statement of Change in Net Assets Attributable to Unitholders. The levy is intended to cover certain dealing charges not included in the mid-market value of the sub-fund used in calculating the share price, which could have a diluting effect on the performance of the sub-fund.

# Sarasin Endowments Fund

**Annual Report and Financial Statements for the year  
01.01.2019 to 31.12.2019**

### Investment Objective of the Sub-fund as set by the Board

We seek to grow the sub-fund (through increases in investment value and income) by 4.5% per year more than the Consumer Prices Index (CPI) over a rolling 5 year period after deducting fees and costs.

This target is not guaranteed over any period of time and the sub-fund could lose value.

### Investment Policy of the Sub-fund

#### Investments

We invest the sub-fund approximately as follows:

- Shares: 70% in 60-100 companies listed on major stock exchanges around the world.

- Bonds: 17.5%

Up to 20% of the bonds we invest in can be rated higher risk by external ratings agencies but the majority are rated as 'investment grade'.

- Real estate investments: 7.5%

- Cash or Alternatives: 5%

Exposure to any of the above asset classes may be obtained through investment in funds (including funds managed by Sarasin).

We also invest in derivatives and use them to increase performance and generate income. Derivatives are financial contracts whose value is linked to the price of another asset (e.g. indices, rates, share prices, currencies).

#### Investment Selection

The strategic asset mix of the sub-fund (as defined by the blended benchmark) sets out how the portfolio will be allocated in normal market conditions. However, the sub-fund is managed on an active basis and when there is a strong sentiment, positive or negative, on a particular asset class or classes, the Investment Manager will actively deviate away from this asset mix and the securities in the underlying indices to try to meet the investment objective.

#### Investment Screening

We avoid investment in companies which are materially engaged in certain sectors, including alcohol, armaments, gambling and adult entertainment.

We have an environmental, social & governance strategy. We consider which target investments fulfil an environmentally or socially beneficial role and that employ high standards of governance.

#### Additional Techniques

We use derivatives to adjust how sensitive the sub-fund is to changes in currencies, to act on opportunities or control risk, and to gain cost-effective access to investments. We usually aim for the sub-fund's exposure to Sterling to be the same as the blended benchmark (around 71.5%). We use an income reserve to smooth the income we pay over time.

The benchmark for the sub-fund, against which the performance can be assessed by reference to a blended benchmark of:

Composite Benchmark	Weighting
ICE BofAML UK Gilts All Stocks Index	9.00%
ICE BofAML Sterling Corporate Bond Index	8.50%
UK Cash LIBOR 1 month	5.00%
FTSE All-Share Index (5% capped)	20.00%
MSCI AC World ex UK (Local Currency)	25.00%
MSCI AC World ex UK	25.00%
MSCI All Balanced Property Fund Index*	4.00%
S&P Developed Property	3.50%

\*Formerly known as IPD All Balanced Property Fund Index

## Investment Manager's Review

### Review

The year of 2019 was a case study in the competing dynamics of geopolitical uncertainty and the ability of central banks to stimulate financial markets – with the latter eventually winning out. This is not to say that uncertainty did not weigh on markets however, escalating trade tensions between the US and China have repeatedly interrupted periods of relative calm causing bouts of volatility. Likewise, a government shut down in the US, ongoing Brexit negotiations and civil unrest in Hong Kong have contributed to a general feeling of uncertainty. Nevertheless, monetary stimulus was the dominant of the two forces and global equities climbed a wall of worry supported by central bank rate cuts and, in the case of the European Central Bank (ECB), the resumption of Quantitative Easing (QE). The global economy was tepid at best, as healthy consumer spending in the developed world outweighed the effects of a slump in global manufacturing and trade. Ultimately, the sub-fund posted strong gains over the year, ahead of the composite benchmark after taking into account expenses.

### Performance

Global equities were the best performing asset class in 2019. Buoyed by three rate cuts from the US Federal Reserve, US equities were the best performing globally, despite the rising uncertainty surrounding the US China trade war. Information technology stocks contributed the most to performance, led by Apple, which rose almost 90% in 2019 following the successful launch of the new iPhone 11 and impressive sales within their “wearables” segment. MasterCard ‘A’ reported strong earnings in January, which alleviated concerns about their payments business struggling in the face of slowing global activity. As it turns out, doubts were unfounded as MasterCard ‘A’ continued its good performance into year-end, beating expectations in both Q2 and Q3. Equinix also reported good numbers, as it demonstrated that it is largely insulated from challenges facing its wholesale peers, as Facebook, Amazon, and Google all slowed their infrastructure builds. Strong performance has not been limited to the technology sector however, as Orsted, the offshore wind energy company, experienced solid growth for much of the year, culminating in a series of high profile contract wins in the US. Orsted have identified the US as a good potential growth area given the level of market saturation at present and these contracts provide reassurance that they maintain their position as the market leader in this space.

In contrast, the sub-fund's oil & gas exposure detracted from returns, while health care stocks also struggled having performed well through turbulent markets in the closing months of last year. For instance, Pfizer was a negative contributor after announcing the spin-off of its off-patent drug business to merge with Mylan. The news was not taken lightly by the market due to concerns over the timing and valuation of the sale. Earlier in the year, our shares in Swedbank suffered following allegations of potential money laundering transfers relating to the bank's Estonian operations. With the regulator's investigation open-ended, we had very limited visibility as to the credibility of the accusations and decided to exit our holding after the annual dividend in March. Finally, Deutsche Wohnen, one of Europe's leading residential landlords with over 70% of its properties in Berlin, suffered as the Berlin senate approved a white paper proposal to freeze rental increases for five years. The Berlin Court has since ruled that the proposed rental cap violates the constitution but uncertainty remains.

We decided to reduce our exposure to the portfolio's more illiquid alternative investments at the start of this year, selling Twenty Four Income and Alcentra Floating Rate Income Fund, while incrementally reducing Sequoia Economic Infrastructure Income and International Public Partnerships. This was done in recognition of the late cycle environment and a set of political tail risks, which could potentially destabilize markets, drying up liquidity and causing price shocks in the process. Moreover, we increased our position in Gold due to its characteristics as a store of value during times of uncertainty or economic downturns. For similar reasons, we modestly increased the proportion of government bonds held compared to credit.

In terms of transactions, we sold Total, on concerns over their imbedded oil price assumptions, as well as Air Products, IAA and Henkel – using the proceeds to start some new positions in Aramark and Microsoft, among others. We also invested in EssilorLuxottica, which specialises in the design, manufacture and distribution of ophthalmic optics and Accenture, one of the leading organizations providing IT consulting and outsourcing services. In relative terms, Accenture has been soft towards the end of the year, likely on concerns about the strength of 2020 IT budgets. However, recent signs of improved CEO confidence and a bottoming out of manufacturing data reduces the risk of a sharp fall in revenue growth, which should enable the market to focus on the structural growth of the company, supported by Digitalisation and Automation. More recently, the sub-fund sold the remaining shares in 3M ahead of broadly disappointing third quarter results and a challenging outlook statement.

## Investment Manager's Review (continued)

### Outlook

In the US, tensions with China seem to be diminishing following the Phase 1 trade deal, however, the short-term damage already done to the global economy will take some time to repair. All the same, if this de-escalation of the trade war continues, then it is supportive for business and consumer sentiment alike. Doubtless, President Trump will have a plan to boost the US economy ahead of presidential elections in November 2020. In the meantime, US consumer spending remains robust and the US Federal Reserve will likely continue its current programme of asset purchases to dampen volatility. All the same, we are alert to the danger that the market has become too complacent over the Fed's supply of easy money in the short term. An imminent US recession now seems less likely.

Elsewhere, China has the wherewithal for further policy stimulus to support its economy, although the People's Bank of China (PBOC) reiterated that it is not in a hurry, emphasising the preference for infrastructure over property investment. In Europe and the UK, consumer spending remains healthy and continues to fuel growth, supported by rising real wages and a tight labour market. Manufacturing, having been a drag on global growth for much of the last 2 years, seems to have inflected. Finally, central banks have shown that they are prepared to support the global economy against the backdrop of stubborn inflation and mediocre macroeconomic data, meaning, that although a pause on further stimulus looks likely, a return to tightening policy seems improbable. Moreover, an appreciation of the limited scope for monetary stimulus has caused governments to re-examine the fiscal toolkit as a means for stimulating growth in 2020.

We continue to appreciate and monitor the risks to global growth. Geopolitical uncertainty is diminishing, and, whilst we wait to add to our favourite, long-term thematic equity ideas at more attractive valuation levels, a stabilizing economic backdrop is supportive for asset prices. Equities remain our preferred asset class, particularly in the context of bond yields near all-time lows. However, in appreciation of the late cycle environment we have balanced the portfolio risk through portfolio protection strategies, as well as increasing investments in traditional safe havens such as gold and government bonds, which serve well to protect against exogenous shocks. As such, we believe the sub-fund is well positioned to benefit from equity market expansion, driven by supportive monetary and fiscal policy, but in the event of a downturn there are mechanisms that should reduce volatility.

Richard Maitland  
Partner & Head of Charities  
Sarasin & Partners LLP  
21st January 2020

All opinions and estimates contained in this Review constitute the Company's judgement and view as of the date of the report and are subject to change without notice. The Investment Manager's Review was compiled prior to the onset of the COVID-19 pandemic, which has resulted in volatility and uncertainty in global financial markets. This post balance sheet event is disclosed in the Report of the Operator and in the Post Balance Sheet Events Note.



### Sensitivity analysis

The sub-fund invests in equities and bonds. The exposure to equity markets is then reduced through the use of short futures and options. Exposure to foreign currencies is also altered through the use of forwards and occasionally options. The level of equity exposure varies over time depending on how positive the operator is; generally, the level has been in the range of 30-70%.

Options are used on individual stocks to implement views on specific stocks. Listed options or futures on bond indices are occasionally used to implement yield curve views.

The Value at Risk (VaR) is a statistical technique used to measure and quantify the level of risk within an investment portfolio over a specific timeframe.

The VaR is independently calculated by StatPro Risk who evaluates the volatility and correlation of the sub-fund's holdings over a period of 2 years. StatPro calculate historical price variations of each asset on a daily basis over this year using a historical simulation methodology with full repricing.

The VaR statistic adopted for Sarasin Funds is the "99% / 20-day VaR" model. To calculate this figure, StatPro rank the distribution and then calculate the VaR figure based on the 99th percentile. This is intended to show, with a 99% degree of confidence, the maximum amount that might be lost over a 20-day period.

The "99% / 20-day VaR" for Sarasin Endowments Fund, as at 31st December 2019, was 7.21% (31st December 2018: 5.51%). The lowest, highest, and average utilisation in the year was 5.48%, 7.45%, and 6.26%, respectively (31st December 2018: 4.33%, 6.36%, and 5.04%, respectively).

### Top 20 purchases during the year<sup>1</sup>

Microsoft  
 Accenture  
 Service Corp International  
 Legal & General  
 Aramark  
 Ecolab  
 Source Physical Gold  
 Lloyds Banking  
 Broadcom  
 United Parcel Service  
 Tencent  
 Marriott International 'A'  
 Orsted  
 Deutsche Wohnen  
 Octopus Renewables Infrastructure Trust  
 UK Treasury Inflation Linked 0.75% 22/11/2047  
 AIA  
 Fevertree Drinks  
 EssilorLuxottica  
 Moody's

### Top 20 sales during the year<sup>1</sup>

Total  
 Air Products & Chemicals  
 IAA  
 3M  
 SQN Asset Finance Income  
 Henkel  
 Enel  
 Mastercard 'A'  
 Taiwan Semiconductor Manufacturing ADR  
 Union Pacific  
 Costco Wholesale  
 Swedbank 'A'  
 Givaudan  
 Royal Dutch Shell  
 KAR Auction Services  
 NextEra Energy  
 Sarasin IE Systematic Absolute Return UK 'I' Income  
 UK Treasury 8.00% 07/06/2021  
 UK Treasury 2.75% 07/09/2024  
 SES

<sup>1</sup> Excluding money market funds.

**Sub-fund Information for the year ended 31st December 2019**

Size (Units)	Unit Type	Mid Price	Yield*
1,295,790,070	Income	112.50 pence	3.17%
104,392,246	Accumulation	285.30 pence	3.13%
Launch Date	23rd February 2018		
Launch Price	Income: 101.50 pence Accumulation: 242.80 pence		
Management Charges	Annual:	0.75%	
	Initial:	0.00%	
Unit Types	Income & Accumulation Units		
Accounting Period Ends	Interim:	31st March	
	Interim:	30th June	
	Interim:	30th September	
	Final:	31st December	
Initial Minimum Investment:	£1,000		

\* The yield shown is the historic yield and is calculated by taking the distribution rate for the last four distributions, multiplied by 100 and divided by the mid price of the units.

The Comparative Tables on pages 25 and 26 give the performance of each active unit class in the sub-fund.

The 'Return after charges' disclosed in the Comparative Tables is calculated as the return after operating charges per unit divided by the opening net asset value per unit. It differs from the sub-fund's performance disclosed in the Manager's report, which is calculated based on the latest published price.

Portfolio transaction costs are incurred when investments are bought or sold by a fund in order to achieve the investment objective. These transaction costs affect an investor in different ways depending on whether they are joining, leaving or continuing with their investment in the sub-fund.

Direct transaction costs include broker commission and taxes. Broker commission includes the fee paid to a broker to execute the trades.

In addition, there are indirect portfolio transaction costs arising from the 'dealing spread' – the difference between the buying and selling prices of underlying investments in the portfolio. Unlike shares whereby broker commissions and stamp duty are paid by the fund on each transaction, other types of investments (such as bonds, money instruments, derivatives, collective investment schemes) do not have separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and money market sentiment.

**Sub-fund Information for the year ended 31st December 2019 (continued)**  
**Comparative Tables**
*Income Units***Change in Net Asset Value per Unit**

	<b>2019</b> <b>(pence per unit)</b>	<b>2018<sup>1</sup></b> <b>(pence per unit)</b>
Opening net asset value per unit	96.37	101.50
Return before operating charges*	19.61	(0.95)
Operating charges (calculated on average price)	(0.94)	(0.76)
Return after operating charges*	18.67	(1.71)
Distributions on income units	(3.56)	(3.42)
Closing net asset value per unit	111.48	96.37
* after direct transaction costs of <sup>2</sup> :	0.02	0.02
<b>Performance</b>		
Return after charges <sup>3</sup>	19.37%	(1.68)%
<b>Other Information</b>		
Closing net asset value (£'000)	1,444,487	1,300,176
Closing number of units	1,295,790,070	1,349,158,526
Operating charges <sup>4</sup>	0.90%	0.90%
Direct transaction costs	0.02%	0.02%
<b>Prices</b>		
Highest unit price	113.60	106.00
Lowest unit price	96.02	96.10

<sup>1</sup> Unit class launched 23rd February 2018. The opening net asset value per unit is the Launch Price.

<sup>2</sup> Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution levies that relate to direct transaction costs. A negative transaction cost figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

<sup>3</sup> The return after charges is calculated as the return after operating charges per unit divided by the opening net asset value per unit.

<sup>4</sup> Operating charges, otherwise known as the OCF is the ratio of the sub-fund's total disclosable costs (excluding overdraft interest) to the average net assets of the sub-fund. The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a sub-fund and is calculated based on the last period's figures. Included in the OCF are synthetic costs which include the OCF of the underlying funds weighted on the basis of their investment proportion. For Sarasin Endowments Fund, 0.08% of the Operating Charges was made up of synthetic costs.

**Sub-fund Information for the year ended 31st December 2019 (continued)**  
**Comparative Tables (continued)**

*Accumulation Units*

**Change in Net Asset Value per Unit**

	<b>2019</b> <b>(pence per unit)</b>	<b>2018<sup>1</sup></b> <b>(pence per unit)</b>
Opening net asset value per unit	238.45	242.80
Return before operating charges*	49.19	(3.34)
Operating charges (calculated on average price)	(2.54)	(1.01)
Return after operating charges*	46.65	(4.35)
Distributions	(8.92)	(8.27)
Retained distributions on accumulation units	(8.92)	8.27
Closing net asset value per unit	285.10	238.45
* after direct transaction costs of <sup>2</sup> :	0.05	0.02
<b>Performance</b>		
Return after charges <sup>3</sup>	19.56%	(1.79)%
<b>Other Information</b>		
Closing net asset value (£'000)	297,618	230,903
Closing number of units	104,392,246	96,835,569
Operating charges <sup>4</sup>	0.90%	0.90%
Direct transaction costs	0.02%	0.02%
<b>Prices</b>		
Highest unit price	288.00	257.90
Lowest unit price	237.60	235.70

<sup>1</sup> Unit class launched 23rd February 2018. The opening net asset value per unit is the Launch Price.

<sup>2</sup> Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution levies that relate to direct transaction costs. A negative transaction cost figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

<sup>3</sup> The return after charges is calculated as the return after operating charges per unit divided by the opening net asset value per unit.

<sup>4</sup> Operating charges, otherwise known as the OCF is the ratio of the sub-fund's total disclosable costs (excluding overdraft interest) to the average net assets of the sub-fund. The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a sub-fund and is calculated based on the last period's figures. Included in the OCF are synthetic costs which include the OCF of the underlying funds weighted on the basis of their investment proportion. For Sarasin Endowments Fund, 0.08% of the Operating Charges was made up of synthetic costs.

## Portfolio Statement as at 31st December 2019

Holding or Nominal Value	Investment	Bid Market Value (£)	% of Net Assets
<b>Sterling Government Bonds 5.51% (31 December 2018 - 6.30%)</b>			
£10,375,000	UK Treasury 4.50% 07/12/2042	16,904,006	0.97
£9,500,000	UK Treasury 4.75% 07/12/2030	13,351,965	0.77
£8,000,000	UK Treasury 4.25% 07/03/2036	11,637,648	0.67
£6,750,000	UK Treasury 4.25% 07/12/2027	8,607,005	0.49
£5,750,000	UK Treasury 4.25% 07/06/2032	7,946,525	0.45
£6,010,000	UK Treasury 2.75% 07/09/2024	6,603,367	0.38
£2,095,000	UK Treasury Inflation Linked 0.75% 22/11/2047	5,639,530	0.32
£4,000,000	UK Treasury 3.25% 22/01/2044	5,562,960	0.32
£3,250,000	UK Treasury 3.75% 22/07/2052	5,367,927	0.31
£2,950,000	UK Treasury 4.25% 07/12/2049	5,073,381	0.29
£2,400,000	Affordable Housing Finance 2.893% 11/08/2043	2,985,840	0.17
£1,500,000	Transport for London 3.875% 23/07/2042	1,951,254	0.11
£840,000	UK Treasury 4.00% 22/01/2060	1,571,111	0.09
£1,400,000	Network Rail Infrastructure Finance 3.00% 07/09/2023	1,505,717	0.09
£1,050,000	High Speed Rail Finance 4.375% 01/11/2038	1,344,168	0.08
		<b>96,052,404</b>	<b>5.51</b>
<b>Sterling Corporate Bonds 4.48% (31 December 2018 - 5.23%)</b>			
£2,436,523	Tesco Property Finance 5.801% 13/10/2040	3,184,806	0.18
£2,000,000	Wellcome Trust Finance 4.625% 25/07/2036	2,942,356	0.17
£1,400,000	University of Manchester 4.25% 04/07/2053	2,236,108	0.13
£2,750,000	Dignity Finance 4.696% 31/12/2049	2,218,969	0.13
£1,350,000	THFC (Funding No 2) 6.35% 08/07/2041	2,147,018	0.12
£1,850,000	Aviva F2F 5.125% 04/06/2050	2,143,045	0.12
£1,615,000	Royal Bank of Scotland 6.375% 07/12/2028	2,110,705	0.12
£1,950,000	A2Dominion Housing 3.50% 15/11/2028	2,090,517	0.12
£1,400,000	Centrica 7.00% 19/09/2033	2,089,386	0.12
£1,600,000	Arqiva Financing 5.34% 30/06/2030	1,929,726	0.11
£1,800,000	Bazalgette Finance 2.375% 29/11/2027	1,896,952	0.11
£1,700,000	Orange 5.75% Perpetual	1,878,214	0.11
£1,350,000	Scottish Widows 7.00% 16/06/2043	1,854,214	0.11
£1,750,000	Investec Bank 4.25% 24/07/2028	1,797,915	0.10
£1,400,000	Lloyds Bank 7.50% 15/04/2024	1,748,936	0.10
£1,750,000	AA Bond 2.875% 31/01/2022	1,736,354	0.10
£1,400,000	BPCE 5.25% 16/04/2029	1,723,840	0.10
£1,336,497	UPP Bond 1 Issuer 4.902% 28/02/2040	1,688,619	0.10
£1,650,000	RAC Bond 4.87% 06/05/2046	1,634,704	0.09
£1,350,000	Prudential F2V 5.70% 19/12/2063	1,622,795	0.09
£1,350,000	CPUK Finance 7.239% 28/02/2042	1,621,698	0.09
£1,539,334	Prs Finance 1.75% 24/11/2026	1,594,904	0.09
£1,200,000	Eastern Power Networks 8.50% 31/03/2025	1,591,250	0.09
£1,359,863	Greater Gabbard Ofco 4.137% 29/11/2032	1,577,199	0.09
£1,400,000	Unite (USAF) 3.921% 30/06/2025	1,549,004	0.09
£1,550,000	London & Quadrant Housing Trust 2.75% 20/07/2057	1,518,290	0.09
£1,150,000	Manchester Airport 4.75% 31/03/2034	1,495,018	0.09
£1,352,000	BNP Paribas 3.375% 23/01/2026	1,473,305	0.09
£1,000,000	Electricite de France 5.50% 17/10/2041	1,451,062	0.08
£1,400,000	Places for People Treasury 2.875% 17/08/2026	1,440,698	0.08
£1,281,279	WoDS Transmission 3.446% 24/08/2034	1,433,192	0.08

**Portfolio Statement as at 31st December 2019 (Continued)**

Holding or Nominal Value	Investment	Bid Market Value (£)	% of Net Assets
<b>Sterling Corporate Bonds (continued)</b>			
£1,100,000	Wales & West Utilities Finance 5.00% 07/03/2028	1,373,492	0.08
£1,000,000	EMH Treasury 4.50% 29/01/2044	1,348,964	0.08
£1,120,000	Standard Chartered 5.125% 06/06/2034	1,347,024	0.08
£1,300,000	Yorkshire Building Society 3.00% 18/04/2025	1,342,180	0.08
£1,200,000	Electricite de France 5.875% Perpetual	1,311,900	0.08
£1,200,000	University of Southampton 2.25% 11/04/2057	1,239,432	0.07
£1,200,000	Anglian Water Services Financing 1.625% 10/08/2025	1,205,801	0.07
£1,000,000	Land Securities Capital Markets 5.391% 31/03/2027	1,181,778	0.07
£1,070,000	Royal Bank of Scotland 2.875% 19/09/2026	1,114,210	0.06
£900,000	Motability Operations 3.75% 16/07/2026	1,032,035	0.06
£1,000,000	Barclays 2.375% 06/10/2023	1,017,740	0.06
£733,400	Great Rolling 6.875% 27/07/2035	934,015	0.05
£900,000	Go-Ahead 2.50% 06/07/2024	909,018	0.05
£850,000	Retail Charity Bond 4.50% 20/06/2026	871,250	0.05
£818,000	HSBC 3.00% 22/07/2028	861,426	0.05
£700,000	Retail Charity Bond 4.25% 30/03/2028	714,000	0.04
£650,000	Legal & General Group 3.75% 26/11/2049	657,376	0.04
£500,000	Barclays 6.375% Perpetual	539,605	0.03
£510,000	Retail Charity Bond 4.40% 30/04/2025	518,537	0.03
£550,000	Alpha Plus 5.00% 31/03/2024	516,875	0.03
£375,000	Retail Charity Bond 5.00% 29/07/2021	421,875	0.02
£170,837	WoDS Transmission 3.446% 24/08/2034	191,092	0.01
		<b>78,070,424</b>	<b>4.48</b>
<b>Overseas Bonds 2.36% (31 December 2018 - 2.32%)</b>			
£2,500,000	European Investment Bank 1.375% 07/03/2025	2,545,000	0.15
IDR42,720,000,000	Inter-American Development Bank 7.875% 14/03/2023	2,454,070	0.14
INR227,900,000	International Finance 6.30% 25/11/2024	2,422,015	0.14
£1,450,000	AT&T 7.00% 30/04/2040	2,268,023	0.13
£2,100,000	Henkel AG & Co 1.25% 30/09/2026	2,076,480	0.12
£2,000,000	International Finance 1.25% 15/12/2023	2,025,296	0.12
£1,700,000	Verizon Communications 3.375% 27/10/2036	1,924,009	0.11
£1,800,000	Credit Suisse F2F 2.125% 12/09/2025	1,828,080	0.10
£1,700,000	Orsted 2.50% 16/05/2033	1,786,068	0.10
£1,450,000	Thames Water Utilities Cayman Finance 4.375% 03/07/2034	1,770,591	0.10
USD2,050,000	Greenko Dutch 5.25% 24/07/2024	1,573,544	0.09
£1,150,000	Comcast 5.50% 23/11/2029	1,526,901	0.09
£1,500,000	Deutsche Bahn Finance 1.375% 07/07/2025	1,509,630	0.09
£1,000,000	E.ON International Finance 5.875% 30/10/2037	1,461,996	0.08
£1,200,000	Rabobank Nederland 4.625% 23/05/2029	1,426,848	0.08
£1,033,000	Dwr Cymru Financing 6.015% 31/03/2028	1,392,368	0.08
£850,000	Innogy Finance 6.125% 06/07/2039	1,299,296	0.07
USD1,500,000	Credit Agricole 6.875% Perpetual	1,250,568	0.07
£850,000	Bank of America 7.00% 31/07/2028	1,189,918	0.07
£800,000	Heathrow Funding 4.625% 31/10/2046	1,131,075	0.06
£750,000	Tennessee Valley Authority 5.625% 07/06/2032	1,077,960	0.06
£1,000,000	New York Life Global Funding 1.25% 17/12/2026	991,298	0.06
£750,000	Welltower 4.50% 01/12/2034	901,687	0.05
USD1,093,000	Credit Suisse Group 6.375% Perpetual	892,008	0.05

**Portfolio Statement as at 31st December 2019 (Continued)**

Holding or Nominal Value	Investment	Bid Market Value (£)	% of Net Assets
<b>Overseas Bonds (continued)</b>			
£500,000	Telefonica Emisiones 5.445% 08/10/2029	640,929	0.04
USD800,000	Indian Railway Finance 3.835% 13/12/2027	629,698	0.04
£360,000	AXA 5.625% 16/01/2054	439,928	0.03
IDR6,100,000,000	European Investment Bank 7.40% 24/01/2022	341,053	0.02
€400,000	Enel Finance International 1.125% 17/10/2034	337,083	0.02
		<b>41,113,420</b>	<b>2.36</b>
<b>UK Equities 21.30% (31 December 2018 - 18.86%)</b>			
294,898	AstraZeneca	22,429,942	1.29
35,669,127	Lloyds Banking	22,293,204	1.28
3,615,088	HSBC	21,397,706	1.23
6,040,200	Legal & General	18,301,806	1.05
777,868	Royal Dutch Shell 'B'	17,420,354	1.00
958,906	GlaxoSmithKline	17,055,102	0.98
368,219	Rio Tinto	16,579,060	0.95
3,375,782	BP	15,920,188	0.91
346,360	Unilever	15,068,392	0.86
817,373	Smith & Nephew	14,970,187	0.86
785,079	Compass	14,837,993	0.85
3,705,483	DS Smith	14,232,760	0.82
892,911	Prudential	12,911,493	0.74
203,568	Reckitt Benckiser	12,474,647	0.71
613,682	RELX	11,690,642	0.67
4,423,908	Tesco	11,280,965	0.65
142,339	London Stock Exchange	10,991,418	0.63
400,368	Associated British Foods	10,397,557	0.60
1,333,329	Barratt Developments	9,954,634	0.57
6,353,982	Octopus Renewables Infrastructure Trust	6,798,761	0.39
615,661	3i	6,759,958	0.39
129,346	InterContinental Hotels	6,732,459	0.39
290,422	Halma	6,122,096	0.35
4,138,527	Vodafone	6,073,702	0.35
837,524	Howden Joinery	5,631,511	0.32
469,033	IMI	5,527,554	0.32
199,708	WH Smith	5,180,426	0.30
362,823	Abcam	4,905,367	0.28
128,138	Carnival	4,661,660	0.27
404,249	Softcat	4,656,949	0.27
695,060	SSP	4,517,890	0.26
208,433	Fevertree Drinks	4,349,997	0.25
2,386,173	Man	3,770,153	0.22
2,775,365	Gresham House Energy Storage	2,969,641	0.17
892,911	M&G	2,116,199	0.12
		<b>370,982,373</b>	<b>21.30</b>
<b>Global Equities 50.12% (31 December 2018 - 49.03%)</b>			
127,541	Apple	28,326,671	1.63
224,813	Microsoft	26,802,595	1.54
173,240	CME	26,314,535	1.51

## Portfolio Statement as at 31st December 2019 (Continued)

Holding or Nominal Value	Investment	Bid Market Value (£)	% of Net Assets
<b>Global Equities (continued)</b>			
243,107	JPMorgan Chase	25,650,556	1.47
137,512	Amgen	25,078,838	1.44
168,621	Ecolab	24,627,421	1.41
130,217	NextEra Energy	23,853,891	1.37
660,915	Service Corp International	23,026,198	1.32
770,120	Pfizer	22,831,324	1.31
504,764	Taiwan Semiconductor Manufacturing ADR	22,202,124	1.27
185,419	Marriott International 'A'	21,248,294	1.22
133,199	Accenture	21,226,729	1.22
259,636	Orsted	20,399,788	1.17
88,507	ASML	19,808,043	1.14
577,957	Aramark	18,985,201	1.09
363,759	Colgate-Palmolive	18,952,148	1.09
422,542	Bank of Nova Scotia	17,989,865	1.03
1,133,016	Sonic Healthcare	17,278,907	0.99
17,022	Alphabet 'C'	17,212,592	0.99
130,495	Deere & Co	17,109,869	0.98
72,753	Costco Wholesale	16,183,121	0.93
206,255	Schneider Electric	16,041,267	0.92
180,337	United Parcel Service	15,977,619	0.92
1,987,600	AIA	15,807,444	0.91
68,399	Mastercard 'A'	15,447,122	0.89
95,356	Credicorp	15,397,440	0.88
6,482	Givaudan	15,378,804	0.88
10,974	Amazon.com	15,343,991	0.88
389,789	Umicore	14,336,052	0.82
2,316,776	Enel	13,926,417	0.80
129,679	Air Liquide	13,893,946	0.80
288,400	Shionogi & Co	13,609,169	0.78
224,531	Citigroup	13,579,968	0.78
186,452	Novartis	13,415,480	0.77
51,502	Roche	12,662,651	0.73
346,600	Tencent	12,657,079	0.73
114,065	Walt Disney	12,482,469	0.72
408,657	CRH	12,427,259	0.71
75,238	Alibaba ADR	12,081,710	0.69
30,029	BlackRock	11,421,431	0.66
1,234,090	ING Groep	11,209,212	0.64
51,999	ServiceNow	11,112,330	0.64
79,668	Union Pacific	10,898,634	0.62
117,438	First Republic Bank	10,442,192	0.60
181,787	Fresenius Medical Care	10,157,939	0.58
3,694,963	Oakley Capital Investments	9,791,652	0.56
5,362,800	Samsonite International	9,739,750	0.56
3,958,104	BDO Unibank	9,342,493	0.54
38,289	Broadcom	9,156,720	0.53
287,500	Bridgestone	8,159,667	0.47
370,200	Mitsui Fudosan	6,897,839	0.40
58,279	EssilorLuxottica	6,727,055	0.39



**Portfolio Statement as at 31st December 2019 (Continued)**

Holding or Nominal Value	Investment	Bid Market Value (£)	% of Net Assets
<b>Global Equities (continued)</b>			
55,600	Unibail-Rodamco-Westfield	6,644,667	0.38
4,121	Booking	6,406,003	0.37
34,026	Moody's	6,113,294	0.35
129,110	Activision Blizzard	5,806,968	0.33
165,393	Deutsche Wohnen	5,121,408	0.29
24,794	SVB Financial	4,711,967	0.27
151,753	Cinemark	3,887,744	0.22
1,176	MSCI World Put Option 6500 23/03/2020 <sup>1</sup>	433,577	0.02
(122)	Taiwan Semiconductor Manufacturing Call Option 50 17/01/2020 <sup>1</sup>	(72,965)	–
(1,176)	MSCI World Put Option 5800 23/03/2020 <sup>1</sup>	(127,313)	(0.01)
(796)	Union Pacific Call Option 175 17/01/2020 <sup>1</sup>	(424,847)	(0.02)
		<b>873,132,014</b>	<b>50.12</b>
<b>UK Property 3.29% (31 December 2018 - 3.97%)</b>			
13,693,127	Charities Property Fund	17,366,993	1.00
18,650,904	Mayfair Property Income Trust for Charities	16,099,461	0.92
8,377,299	COIF Charities Property	9,895,265	0.57
5,630,485	AEW UK Core Property	7,512,756	0.43
7,110,726	Civitas Social Housing	6,484,982	0.37
		<b>57,359,457</b>	<b>3.29</b>
<b>Global Property 4.21% (31 December 2018 - 4.47%)</b>			
2,261,749	Sarasin IE Global Real Estate Equity 'I' GBP Income <sup>2</sup>	41,105,018	2.36
38,300	Equinix	16,902,276	0.97
111,134	Crown Castle International	11,955,590	0.69
30,127	Simon Property	3,395,645	0.19
		<b>73,358,529</b>	<b>4.21</b>
<b>Alternatives 3.38% (31 December 2018 - 4.92%)</b>			
246,935	Source Physical Gold	27,613,570	1.58
1,559,220	Neuberger Berman Uncorrelated Strategies 'IS' GBP Accumulation	16,075,557	0.92
3,940,255	International Public Partnerships	6,572,345	0.38
4,602,631	Sequoia Economic Infrastructure Income	5,357,463	0.31
2,468,270	US Solar Fund	1,943,372	0.11
1,597,920	SQN Asset Finance Income	1,316,686	0.08
		<b>58,878,993</b>	<b>3.38</b>
<b>Global Collective Investment Schemes 1.70% (31 December 2018 - 1.83%)</b>			
6,368,992	CF Morant Wright Nippon Yield 'B' Income	22,595,271	1.30
350,000	Neuberger Berman Emerging Market Debt	3,594,500	0.21
37,970	Ashmore SICAV Emerging Markets Short Duration 'Z' Income	3,331,868	0.19
		<b>29,521,639</b>	<b>1.70</b>
<b>Forward Currency Contracts -0.04% (31 December 2018 - 0.17%)</b>			
USD (437,956,000)	Sold USD, Bought GBP 331,097,570 for settlement on 19/03/2020	234,262	0.01
USD (23,100,000)	Sold USD, Bought GBP 17,619,331 for settlement on 19/03/2020	167,938	0.01
JPY (2,603,000,000)	Sold JPY, Bought GBP 18,070,993 for settlement on 19/03/2020	(121,593)	(0.01)
CHF (30,500,000)	Sold CHF, Bought GBP 23,597,679 for settlement on 19/03/2020	(363,008)	(0.02)

**Portfolio Statement as at 31st December 2019 (Continued)**

Holding or Nominal Value	Investment	Bid Market Value (£)	% of Net Assets
	<b>Forward Currency Contracts (continued)</b>		
EUR (118,338,500)	Sold EUR, Bought GBP 100,295,429 for settlement on 19/03/2020	(561,230)	(0.03)
		<b>(643,631)</b>	<b>(0.04)</b>
	<b>Total Value of Investments 96.31%</b>		
	<b>(31 December 2018 - 97.10%)</b>	<b>1,677,825,622</b>	<b>96.31</b>
	Net Other Assets	64,279,832	3.69
	<b>Net Assets</b>	<b>1,742,105,454</b>	<b>100.00</b>

Securities are admitted to an official stock exchange listing or traded on another regulated market unless otherwise stated.

\*Derivative Instruments

\*Related Party Investments

## Asset Allocation of Portfolio of Investments is as follows:

Bonds	215,236,248	12.35
Collective Investment Schemes	165,190,258	9.48
Derivatives	(191,548)	(0.01)
Equities	1,298,234,295	74.53
Forward Currency Contracts	(643,631)	(0.04)
Net Other Assets	64,279,832	3.69
	<b>1,742,105,454</b>	<b>100.00</b>

## Debt Security Allocation is as follows:

Percentage of Debt Securities investment grade and above	95.55%
Percentage of Debt Securities below investment grade (sub BBB- or unrated)	4.45%
	<b>100.00%</b>

**Statement of Total Return**  
**For the year ended 31st December 2019**

	Notes	£	01.01.2019 to 31.12.2019 £	£	23.02.2018 to 31.12.2018 <sup>1</sup> £
Income					
Net capital gains/(losses)	2		255,324,165		(51,759,305)
Revenue	3	53,897,482		45,252,341	
Expenses	4	(13,262,812)		(11,205,260)	
Interest payable and similar charges	6	(12,408)		(992)	
<b>Net revenue before taxation</b>		<b>40,622,262</b>		<b>34,046,089</b>	
Taxation	5	(2,986,805)		(702,586)	
<b>Net revenue after taxation for the year</b>			<b>37,635,457</b>		<b>33,343,503</b>
<b>Total return before distributions</b>			<b>292,959,622</b>		<b>(18,415,802)</b>
Distributions	6		(56,143,824)		(25,849,890)
<b>Changes in net assets attributable to unitholders from investment activities</b>			<b>236,815,798</b>		<b>(44,265,692)</b>

**Statement of Changes in Net Assets Attributable to Unitholders**  
**For the year ended 31st December 2019**

		£	01.01.2019 to 31.12.2019 £	£	23.02.2018 to 31.12.2018 <sup>1</sup> £
<b>Opening net assets attributable to unitholders</b>			<b>1,531,078,946</b>		<b>–</b>
Movement due to sales and repurchases of units:					
Amounts received on issue of units		141,505,436		177,098,050	
Amounts received on in-specie transactions		–		1,580,636,299	
Amounts paid on cancellation of units		(176,306,204)		(189,168,274)	
			<b>(34,800,768)</b>		<b>1,568,566,075</b>
Dilution levy			–		(7,469)
Changes in net assets attributable to unitholders from investment activities (see above)			236,815,798		(44,265,692)
Retained distribution on accumulation units			9,011,478		6,786,032
<b>Closing net assets attributable to unitholders</b>			<b>1,742,105,454</b>		<b>1,531,078,946</b>

The notes on pages 35 to 47 form part of these Financial Statements.

<sup>1</sup>Sub-fund launched 23rd February 2018.

**Balance Sheet**  
As at 31st December 2019

	Notes	31.12.2019 £	31.12.2018 <sup>1</sup> £
<b>Assets</b>			
<b>Fixed assets:</b>			
Investments		1,679,496,578	1,487,814,621
<b>Current assets:</b>			
Debtors	8	6,498,938	6,823,169
Cash and bank balances	9	71,718,531	51,375,780
Total assets		1,757,714,047	1,546,013,570
<b>Investment liabilities</b>			
		(1,670,956)	(1,062,164)
<b>Creditors:</b>			
Bank overdrafts	9	(434,132)	(457,851)
Distribution payable on income units		(12,310,006)	(12,277,343)
Other creditors	10	(1,193,499)	(1,137,266)
Total liabilities		(15,608,593)	(14,934,624)
<b>Net assets attributable to unitholders</b>		<b>1,742,105,454</b>	<b>1,531,078,946</b>

The notes on pages 35 to 47 form part of these Financial Statements.

<sup>1</sup>Sub-fund launched 23rd February 2018.

**Certification of Accounts by Directors**

The Directors are of the opinion that it is appropriate to continue to adopt the going concern basis in the preparation of the Financial Statements as the assets of the sub-fund consist predominately of securities that are readily realisable and, accordingly, the sub-fund has adequate resources to continue in operational existence for at least the next twelve months from the approval of these financial statements.

G. V. Matthews  
Director  
Sarasin Investment Funds Limited  
29 June 2020

S. A. M. Jeffries  
Director  
Sarasin Investment Funds Limited  
29 June 2020

# Notes

## Notes to the financial statements For the year ended 31st December 2019

### 1. Accounting Policies

The accounting policies for this sub-fund match those found on pages 16 to 18.

### 2. Net Capital Gains/(Losses)

	01.01.2019 to 31.12.2019 £	23.02.2018 to 31.12.2018 £
Net capital gains/(losses) comprise:		
Non-derivative securities realised gains	24,190,162	8,742,922
Non-derivative securities unrealised gains/(losses)	223,523,987	(27,063,971)
Derivative securities realised gains	1,896,087	688,604
Derivative securities unrealised (losses)/gains	(2,383,683)	220,301
Forward currency contracts realised gains/(losses)	18,247,426	(21,745,913)
Forward currency contracts unrealised (losses)/gains	(3,251,164)	2,607,533
Currency losses	(6,939,841)	(15,243,175)
Management fee rebates	42,923	36,981
Transaction charges	(1,732)	(1,267)
Derivative charges	–	(1,320)
	<b>255,324,165</b>	<b>(51,759,305)</b>

### 3. Revenue

	01.01.2019 to 31.12.2019 £	23.02.2018 to 31.12.2018 £
UK dividends	11,174,530	10,367,838
Overseas dividends	25,892,862	21,320,117
Bank Interest	142,828	153,929
Interest on debt securities	5,633,636	4,840,634
Unfranked PID <sup>1</sup> revenue	294,350	127,355
Franked PID <sup>1</sup> revenue	–	156,776
Option premium	5,674,047	4,163,271
Franked CIS <sup>2</sup> revenue	1,152,899	627,378
Unfranked CIS <sup>2</sup> revenue	2,215,649	2,097,634
Offshore dividend CIS <sup>2</sup> revenue	1,202,785	783,268
Offshore interest CIS <sup>2</sup> revenue	513,896	614,141
	<b>53,897,482</b>	<b>45,252,341</b>

<sup>1</sup>Property Income Dividend

<sup>2</sup>Collective Investment Scheme

#### 4. Expenses

	01.01.2019 to 31.12.2019 £	23.02.2018 to 31.12.2018 £
<b>Payable to the Manager, associates of the Manager, and agents of either of them:</b>		
Management fees	12,046,076	10,112,532
	<b>12,046,076</b>	<b>10,112,532</b>
<b>Payable to the Trustee, associates of the Trustee, and agents of either of them:</b>	-	-
<b>Other Expenses</b>		
Fixed operating charge <sup>1</sup>	1,214,236	1,032,566
Set-up costs	-	60,162
Professional fees	2,500	-
	<b>1,216,736</b>	<b>1,092,728</b>
<b>Total Expenses</b>	<b>13,262,812</b>	<b>11,205,260</b>

<sup>1</sup> The Audit fee for 31st December 2019 was £7,250 plus VAT (31st December 2018: £7,018 plus VAT).

#### 5. Taxation

	01.01.2019 to 31.12.2019 £	23.02.2018 to 31.12.2018 £
a) Analysis of tax charge in year		
Overseas tax	2,986,805	702,586
<b>Total tax for the year</b>	<b>2,986,805</b>	<b>702,586</b>

b) As the Trust is a Charity Authorised Investment Fund, it is exempt from United Kingdom tax on capital gains realised on the disposal of investments held within the sub-fund and any UK corporation tax.

The sub-fund is also excluded from the normal tax rules which apply to revenue allocations to units and payments on redemption of units made to unitholders in an authorised unit trust scheme. For the purposes of the sub-fund, revenue of the sub-fund is not considered to be dividends in the hands of the unitholders and therefore no income tax is payable in respect of the revenue allocated to each unit.

In addition, any gains on the redemption of units in the sub-fund are not to be treated as chargeable gains for Capital Gains Tax purposes and therefore no Capital Gains Tax is payable on redemption of units.

## 6. Distribution

The distributions take account of revenue received on the creation of units and revenue deducted on the cancellation of units, and comprise:

	01.01.2019 to 31.12.2019 £	23.02.2018 to 31.12.2018 £
First interim	12,137,482	11,731,883
Second interim	14,949,028	15,054,746
Third interim	13,645,736	13,052,403
Final	14,824,815	14,437,260
	<b>55,557,061</b>	<b>54,276,292</b>
Add: Revenue deducted on cancellation of units	3,091,201	3,301,330
Deduct: Revenue received on creation of units	(2,504,438)	(3,110,285)
Deduct: Reserve transferred from predecessor fund	–	(28,617,447)
<b>Net distributions for the year</b>	<b>56,143,824</b>	<b>25,849,890</b>
Interest payable and similar charges	12,408	992
	<b>56,156,232</b>	<b>25,850,882</b>

## 7. Movement between Net Revenue and Distribution

	01.01.2019 to 31.12.2019 £	23.02.2018 to 31.12.2018 £
Net revenue after tax	37,635,457	33,343,503
Add: Undistributed revenue Reserve brought forward	20,919,116	–
Less: Equalisation uplift on unit Conversion	5	879
Less: Undistributed revenue Reserve carried forward	(18,037,843)	(20,919,116)
Add: Benefit of coupon basis distribution	2,364,277	2,219,364
Add: Expenses payable from capital	13,262,812	11,205,260
<b>Net Distribution for the year</b>	<b>56,143,824</b>	<b>25,849,890</b>

## 8. Debtors

	31.12.2019 £	31.12.2018 £
Amounts receivable for creation of units	437,155	350,629
Sales awaiting settlement	2,264	62,464
Accrued revenue	4,020,242	4,574,094
Overseas tax recoverable	2,017,192	1,813,267
Property income distribution tax recoverable	11,570	11,570
Fee rebate receivable	10,515	11,145
	<b>6,498,938</b>	<b>6,823,169</b>

**9. Cash and Bank Balances**

	31.12.2019	31.12.2018
	£	£
Cash and bank balances	68,940,625	48,448,330
Cash held at clearing houses	2,777,906	2,927,450
	<b>71,718,531</b>	<b>51,375,780</b>
Bank overdrafts	(433,578)	(457,851)
Cash due to clearing houses	(554)	–
	<b>71,284,399</b>	<b>50,917,929</b>

**10. Other Creditors**

	31.12.2019	31.12.2018
	£	£
Amounts payable for cancellation of units	–	30,000
Accrued expenses	1,193,499	1,082,947
Currency deals awaiting settlement	–	24,319
	<b>1,193,499</b>	<b>1,137,266</b>

**11. Contingent Assets/(Liabilities)**

The sub-fund had no contingent asset or liability as at 31st December 2019 (31st December 2018: same).

**12. Equalisation**

Equalisation is not applied to distributions paid by the sub-fund.

**13. Units in Issue**

The sub-fund currently has two unit classes: Income and Accumulation. The annual management charge on each unit class can be found on page 24. The net asset value of each unit class, the net asset value per unit and the number of units in each class are given in the comparative tables on pages 25 and 26. The distribution per unit class is given in the distribution tables on pages 48 and 49. All classes have the same rights on winding up and have no par value.

	<b>Income Units</b>	<b>Accumulation Units</b>
Opening units	1,349,158,526	96,835,569
Units created	114,627,950	8,538,660
Units liquidated	(164,389,540)	(2,410,191)
Units converted	(3,606,866)	1,428,208
Closing units	1,295,790,070	104,392,246

**14. Related Parties**

Sarasin & Partners LLP and Sarasin Investment Funds Limited, together with NatWest Trustee and Depository Services Limited as Corporate Trustee, are deemed to be Related Parties, by virtue of their ability to act in respect of the sub-fund's operations.

Sarasin & Partners LLP acts as principal on all transactions of units in the sub-fund. The aggregate monies received through creations and liquidations are disclosed in the statement of change in net assets attributable to unitholders.

Management fees are paid to Sarasin Investment Funds Limited and are shown in note 4.



**14. Related Parties (continued)**

Amount due to Related Parties at the year end:

	31.12.2019	31.12.2018
	£	£
Management fees	1,090,308	982,251
	<b>1,090,308</b>	<b>982,251</b>

At 31st December 2019, the sub-fund held units in the following Collective Investment Schemes, managed by associated companies of Sarasin Investment Funds Limited:

		31.12.2019
		£
Sarasin IE Global Real Estate Equity 'I' GBP Income	Units	2,261,749
	Bid Market Value (£)	41,105,018

At 31st December 2018, the sub-fund held units in the following Collective Investment Schemes, managed by associated companies of Sarasin Investment Funds Limited:

		31.12.2018
		£
Sarasin IE Global Real Estate Equity 'I' GBP Income	Shares	2,321,464
	Bid Market Value (£)	38,803,268
Sarasin IE Systematic Absolute Return UK 'I' Income	Shares	806,541
	Bid Market Value (£)	7,325,009

No initial charges were applied to the purchases of these Collective Investment Schemes.

**15. Risk Management Policies and Disclosures****Financial Instruments**

In pursuing its investment objectives as stated on page 20, the sub-fund holds a number of financial instruments. The sub-fund's financial instruments, other than derivatives, comprise securities and other investments, cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for redemptions and debtors for accrued revenue.

The main risks arising from the sub-fund's financial instruments and the Operator's policies for managing these risks are summarised below, a sensitivity analysis of the sub-fund is provided on page 23. These policies have been applied throughout the year.

**Market Price Risk**

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

Adherence to investment guidelines and to investment and borrowing powers set out in The Charities (Accounts and Reports) Regulations 2008 mitigates the risk of excessive exposure to any particular type of security or issuer.

## 15. Risk Management Policies and Disclosures (continued)

### Derivative Risk

Derivatives are comprised of forward foreign currency contracts, futures and options contracts. Forward foreign currency contracts are used to manage currency risk arising from the sub-fund's investment activities (and related financing). Open positions at the balance sheet date, which are all covered, are included in the portfolio statement. Gains/(losses) on forward foreign exchange transactions are taken to capital. Futures contracts are used to reduce the risks associated with the market risk of the equity portfolio and to align the sub-fund's exposures to market movements with that of the sub-fund's benchmarks.

The sub-fund is able to use traded options for Efficient Portfolio Management purposes only, thus always hedging up to the amount of stock which is physically owned. The purpose of undertaking these contracts is to protect the Portfolio from a downturn in the market as far as possible.

### Currency Risk

Currency risk is the risk that the value of the sub-fund's investment holdings will fluctuate as a result of changes in foreign currency exchange rates.

A proportion of the sub-fund's investment portfolios are invested in overseas securities and the balance sheet can be affected by movements in foreign exchange rates. The Operator may seek to manage exposure to currency movements by using forward exchange contracts or by hedging the sterling value of investments that are priced in other currencies. Revenue received in other currencies is converted to sterling on or near the date of receipt.

Currency exposure as at 31st December 2019

	Monetary Exposure £	Non-Monetary Exposure £	Total £	%
Australian Dollar	–	17,278,907	17,278,907	0.99
Canadian Dollar	20,345	17,989,865	18,010,210	1.03
Danish Kroner	117,845	20,399,788	20,517,633	1.18
Euro	749,125	17,346,430	18,095,555	1.04
Hong Kong Dollar	–	38,204,274	38,204,274	2.19
Indian Rupee	–	2,422,015	2,422,015	0.14
Indonesian Rupiah	–	2,795,123	2,795,123	0.16
Japanese Yen	–	10,474,090	10,474,090	0.60
Philippine Peso	12,425	9,342,493	9,354,918	0.54
Polish Zloty	9,684	–	9,684	–
Swiss Franc	1,120,193	17,496,248	18,616,441	1.07
US Dollar	348,895	277,549,730	277,898,625	15.95
	<b>2,378,512</b>	<b>431,298,963</b>	<b>433,677,475</b>	<b>24.89</b>
Sterling	61,901,320	1,246,526,659	1,308,427,979	75.11
	<b>64,279,832</b>	<b>1,677,825,622</b>	<b>1,742,105,454</b>	<b>100.00</b>

**15. Risk Management Policies and Disclosures (continued)**

Currency exposure as at 31st December 2018

	Monetary Exposure £	Non-Monetary Exposure £	Total £	%
Australian dollar	–	17,892,427	17,892,427	1.17
Canadian dollar	20,201	16,904,394	16,924,595	1.11
Danish kroner	89,814	13,005,961	13,095,775	0.85
Euro	1,075,550	59,926,172	61,001,722	3.98
Hong Kong dollar	342	22,942,793	22,943,135	1.50
Indian rupee	64,690	2,535,775	2,600,465	0.17
Indonesian rupiah	147,457	2,323,964	2,471,421	0.16
Japanese yen	152,726	7,784,595	7,937,321	0.52
Philippine peso	20,132	12,520,589	12,540,721	0.82
Polish zloty	10,143	–	10,143	–
Swedish krona	–	14,502,681	14,502,681	0.95
Swiss franc	876,409	18,416,844	19,293,253	1.26
US dollar	755,100	206,159,431	206,914,531	13.51
	<b>3,212,564</b>	<b>394,915,626</b>	<b>398,128,190</b>	<b>26.00</b>
Sterling	41,113,925	1,091,836,831	1,132,950,756	74.00
	<b>44,326,489</b>	<b>1,486,752,457</b>	<b>1,531,078,946</b>	<b>100.00</b>

**Credit Risk**

Certain transactions in securities that the sub-fund enters into exposes it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the sub-fund has fulfilled its responsibilities. The sub-fund only buys and sells investments through brokers which have been approved by the Operator as an acceptable counterparty. In addition, limits are set to the exposure to any individual broker that may exist at any time and changes in brokers' financial ratings are reviewed. Bonds or other debt securities involve credit risk to the issuer which may be evidenced by the issuer's credit rating. Securities which are subordinated and/or have a lower credit rating are generally considered to have a higher credit risk and a greater possibility of default than more highly rated securities.

This risk is managed by appraising the credit profile of financial instruments and issuers in line with the sub-fund's investment objective and policy.

Exposure to counterparties through derivative positions and the collateral held at the balance sheet date can be seen on page 45.

**Liquidity Risk**

The sub-fund's assets comprise mainly of readily realisable securities. The main liability of the sub-fund is the redemption of any units over and above the cash holdings that investors wish to sell. Assets of the sub-fund may need to be sold if insufficient cash is available to finance such redemptions.

As the sub-fund has significant holdings in readily realisable level 1 and level 2 securities, it is expected that the sub-fund will be able to generate sufficient cash flows to settle these obligations when they arise.

**Interest Rate Risk**

Interest rate risk is the risk that the value of the sub-fund's investment holdings will fluctuate as a result of changes in interest rates. The sub-fund invests in fixed and floating rate securities. The revenue of the sub-fund may be affected by changes to interest rates relevant to particular securities or as a result of the Operator being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movements in the future. Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates.

**15. Risk Management Policies and Disclosures (continued)**

Interest Rate Risk Profile of the sub-fund's Assets and Liabilities:

	Floating Rate Financial Assets	Fixed Rate Financial Assets	Financial Assets not carrying interest	Total
	£	£	£	£
<b>31st December 2019</b>				
Australian dollar	–	–	17,278,907	17,278,907
Canadian dollar	–	–	18,010,210	18,010,210
Danish kroner	–	–	20,517,633	20,517,633
Euro	433,578	337,083	118,615,131	119,385,792
Hong Kong dollar	–	–	38,204,274	38,204,274
Indian rupee	–	2,422,015	–	2,422,015
Indonesian rupiah	–	2,795,123	–	2,795,123
Japanese yen	–	–	28,666,675	28,666,675
Philippine peso	12,425	–	9,342,493	9,354,918
Polish zloty	–	–	9,684	9,684
Sterling	88,659,270	187,600,018	1,045,672,196	1,321,931,484
Swiss franc	–	–	42,577,128	42,577,128
US dollar	2,492,025	2,203,242	622,143,739	626,839,006
	<b>91,597,298</b>	<b>195,357,481</b>	<b>1,961,038,070</b>	<b>2,247,992,849</b>
	Floating Rate Financial Liabilities	Fixed Rate Financial Liabilities	Financial Liabilities not carrying interest	Total
	£	£	£	£
<b>31st December 2019</b>				
Euro	433,578	–	100,856,659	101,290,237
Japanese yen	–	–	18,192,585	18,192,585
Sterling	–	–	13,503,505	13,503,505
Swiss franc	–	–	23,960,687	23,960,687
US dollar	554	–	348,939,827	348,940,381
	<b>434,132</b>	<b>–</b>	<b>505,453,263</b>	<b>505,887,395</b>

**15. Risk Management Policies and Disclosures (continued)**

Interest Rate Risk Profile of the sub-fund's Assets and Liabilities:

	Floating Rate Financial Assets	Fixed Rate Financial Assets	Financial Assets not carrying interest	Total
	£	£	£	£
<b>31st December 2018</b>				
Australian dollar	–	–	17,892,430	17,892,430
Canadian dollar	–	–	16,924,595	16,924,595
Danish kroner	–	–	13,095,775	13,095,775
Euro	457,851	–	134,189,817	134,647,668
Hong Kong dollar	–	–	22,943,135	22,943,135
Indian rupee	–	2,535,775	64,690	2,600,465
Indonesian rupiah	–	2,323,964	147,457	2,471,421
Japanese yen	–	–	26,609,575	26,609,575
Philippine peso	20,133	–	12,520,589	12,540,722
Polish zloty	–	–	10,143	10,143
Sterling	62,413,917	191,570,728	924,590,372	1,178,575,017
Swedish krona	–	–	14,502,681	14,502,681
Swiss franc	–	–	43,667,482	43,667,482
US dollar	1,977,909	2,020,588	510,577,905	514,576,402
	<b>64,869,810</b>	<b>198,451,055</b>	<b>1,737,736,646</b>	<b>2,001,057,511</b>
	Floating Rate Financial Liabilities	Fixed Rate Financial Liabilities	Financial Liabilities not carrying interest	Total
	£	£	£	£
<b>31st December 2018</b>				
Euro	457,851	–	73,188,095	73,645,946
Japanese yen	–	–	18,672,255	18,672,255
Sterling	–	–	45,624,262	45,624,262
Swiss franc	–	–	24,374,230	24,374,230
US dollar	–	–	307,661,872	307,661,872
	<b>457,851</b>	<b>–</b>	<b>469,520,714</b>	<b>469,978,565</b>

## 15. Risk Management Policies and Disclosures (continued)

### Fair Value of Financial Assets and Liabilities

The fair value of a financial instrument is the amount for which it could be exchanged between knowledgeable, willing parties in an arm's length transaction. There is no significant difference between the value of the financial assets and liabilities, as shown in the financial statements, and their fair value.

#### Valuation technique as at 31st December 2019

	Level 1 £	Level 2 £	Level 3 £	Total £
<b>Financial Assets</b>				
Collective Investment Schemes	27,613,570	137,576,689	–	165,190,259
Debt Securities	88,265,425	126,970,823	–	215,236,248
Equities	1,298,234,294	–	–	1,298,234,294
Forward Currency Contracts	–	402,200	–	402,200
Options	433,577	–	–	433,577
	<b>1,414,546,866</b>	<b>264,949,712</b>	<b>–</b>	<b>1,679,496,578</b>
<b>Financial Liabilities</b>				
Forward Currency Contracts	–	(1,045,831)	–	(1,045,831)
Options	(625,125)	–	–	(625,125)
	<b>(625,125)</b>	<b>(1,045,831)</b>	<b>–</b>	<b>(1,670,956)</b>

#### Valuation technique as at 31st December 2018

	Level 1 £	Level 2 £	Level 3 £	Total £
<b>Financial Assets</b>				
Collective Investment Schemes	22,290,524	143,286,893	–	165,577,417
Debt Securities	88,557,890	123,387,196	–	211,945,086
Equities	1,107,100,548	–	–	1,107,100,548
Forward Currency Contracts	–	3,191,570	–	3,191,570
	<b>1,217,948,962</b>	<b>269,865,659</b>	<b>–</b>	<b>1,487,814,621</b>
<b>Financial Liabilities</b>				
Forward Currency Contracts	–	(584,037)	–	(584,037)
Options	(478,127)	–	–	(478,127)
	<b>(478,127)</b>	<b>(584,037)</b>	<b>–</b>	<b>(1,062,164)</b>

#### Level 1

The unadjusted quoted price in an active market for identical instruments that the entity can access at the measurement date.

#### Level 2

Valuation techniques using observable inputs other than quoted prices within Level 1 (i.e. developed using market data).

#### Level 3

Valuation techniques using unobservable inputs (i.e. for which market data is unavailable).

The valuation technique has been disclosed under note 1m Accounting Policies on page 17.

**15. Risk Management Policies and Disclosures (continued)****Counterparty Risk**

During the year, the sub-fund made use of 'Over The Counter' (OTC) Derivative Instruments. These types of transactions introduce counterparty risk, where a counterparty may fail to meet its financial commitments.

In order to reduce this risk, collateral may be held by the sub-fund. The counterparties to these transactions and any collateral held by the sub-fund at the balance sheet date are shown below:

<b>Counterparty Name as at 31st December 2019</b>	<b>Exposure £</b>	<b>Cash Collateral £</b>
Eurex	433,577	–
The Bank of New York Mellon	402,200	3,700,000

<b>Counterparty Name as at 31st December 2018</b>	<b>Exposure £</b>	<b>Cash Collateral £</b>
The Bank of New York Mellon	3,191,570	–

Positive exposure represents the mark to market value of derivative contracts and the sub-fund's exposure to that counterparty.

**16. Portfolio Transaction Costs**

	01.01.2019 to 31.12.2019 £	23.02.2018 to 31.12.2018 £
Analysis of total purchase costs:		
Purchases in year before transaction costs		
Bonds	54,537,573	249,320,761
Collective Investment Schemes	1,316,747	162,165,316
Corporate Actions	29,310,269	27,599,599
Derivatives	11,171,609	9,923,492
Equities	286,612,513	1,455,219,997
<b>Total purchases</b>	<b>382,948,711</b>	<b>1,904,229,165</b>
Commissions:		
Equities total value paid	158,801	116,830
Taxes:		
Equities total value paid	5	39,060
<b>Total purchase costs</b>	<b>158,806</b>	<b>155,890</b>
<b>Gross purchase costs</b>	<b>383,107,517</b>	<b>1,904,385,055</b>
Analysis of total sale costs:		
Gross sales in year before transaction costs		
Bonds	62,691,206	32,852,476
Collective Investment Schemes	10,631,044	18,787,997
Corporate Actions	29,310,269	27,599,599
Derivatives	7,525,375	9,094,998
Equities	316,830,388	309,022,188
<b>Total sales</b>	<b>426,988,282</b>	<b>397,357,258</b>
Commissions:		
Equities total value paid	(132,760)	(112,654)
Taxes:		
Equities total value paid	(6)	(18)
<b>Total sales costs</b>	<b>(132,766)</b>	<b>(112,672)</b>
<b>Total sales net of transaction costs</b>	<b>426,855,516</b>	<b>397,244,586</b>



**16. Portfolio Transaction Costs (continued)**

	01.01.2019 to 31.12.2019 %	23.02.2018 to 31.12.2018 %
Analysis of total purchase costs:		
Commissions:		
Equities percentage of average NAV <sup>1</sup>	0.01	0.01
Taxes:		
Equities percentage of average NAV <sup>1</sup>	–	–
Analysis of total sale costs:		
Commissions:		
Equities percentage of average NAV <sup>1</sup>	0.01	0.01
Taxes:		
Equities percentage of average NAV <sup>1</sup>	–	0.01

The average portfolio dealing spread as at 31st December 2019 was 0.19% (31st December 2018: 0.23%).

<sup>1</sup>Excluding single swing price adjustment.

**17. Post Balance Sheet Events****COVID-19**

The impact of the COVID-19 pandemic is disclosed in the Report of the Operator. The event has resulted in increased volatility and uncertainty in all global financial markets. It is an unprecedented event and the eventual impact on the global economy and markets will largely depend on the scale and duration of the outbreak. Since the year end, the performance of the sub-fund to 17 June 2020 has been -1.1% on an absolute basis and +1.0% on a relative basis. Subscriptions to the sub-fund from year end to 5 June 2020 were +£152.3m and redemptions were -£127.6m for the same period. No material net redemption activity is attributed to systemic factors related to market shocks post COVID-19. The Board of Directors of the Operator will continue to monitor this situation.

The following changes to performance targets and asset allocations have been implemented effective 1st February 2020. The CPI+ performance target has changed from 4.5% to 4%. The index used to benchmark UK equities has changed from FTSE All-Share Index (5% Capped) to MSCI UK IMI. Several changes have been made to the weighted asset allocations of the strategic benchmarks.

# Distribution Tables

For the year ended 31st December 2019

## First Interim distribution in pence per unit

Group 1: Units purchased prior to 1st January 2019

Group 2: Units purchased between 1st January 2019 and 31st March 2019

Unit	Net Revenue 2019 Pence per Unit	Equalisation (note 12) 2019 Pence per Unit	1st Interim Distribution Paid 2019 Pence per Unit	1st Interim Distribution Paid 2018 Pence per Unit
<b>Income Units</b>				
Group 1	0.7700	–	0.7700	0.7350
Group 2	0.7700	–	0.7700	0.7350
<b>Accumulation Units</b>				
Group 1	1.9052	–	1.9052	1.7580
Group 2	1.9052	–	1.9052	1.7580

## Second Interim distribution in pence per unit

Group 1: Units purchased prior to 1st April 2019

Group 2: Units purchased between 1st April 2019 and 30th June 2019

Unit	Net Revenue 2019 Pence per Unit	Equalisation (note 12) 2019 Pence per Unit	2nd Interim Distribution Payable 2019 Pence per Unit	2nd Interim Distribution Paid 2018 Pence per Unit
<b>Income Units</b>				
Group 1	0.9600	–	0.9600	0.9600
Group 2	0.9600	–	0.9600	0.9600
<b>Accumulation Units</b>				
Group 1	2.3932	–	2.3932	2.3134
Group 2	2.3932	–	2.3932	2.3134

**Third Interim distribution in pence per unit**

Group 1: Units purchased prior to 1st July 2019

Group 2: Units purchased between 1st July 2019 and 30th September 2019

<b>Unit</b>	<b>Net Revenue 2019 Pence per Unit</b>	<b>Equalisation (note 12) 2019 Pence per Unit</b>	<b>3rd Interim Distribution – 2019 Pence per Unit</b>	<b>3rd Interim Distribution Paid 2018 Pence per Unit</b>
<b>Income Units</b>				
Group 1	0.8800	–	0.8800	0.8100
Group 2	0.8800	–	0.8800	0.8100
<b>Accumulation Units</b>				
Group 1	2.2136	–	2.2136	1.9702
Group 2	2.2136	–	2.2136	1.9702

**Final distribution in pence per unit**

Group 1: Units purchased prior to 1st October 2019

Group 2: Units purchased between 1st October 2019 and 31st December 2019

<b>Unit</b>	<b>Net Revenue 2019 Pence per Unit</b>	<b>Equalisation (note 12) 2019 Pence per Unit</b>	<b>Final Distribution Payable 2020 Pence per Unit</b>	<b>Final Distribution Paid 2019 Pence per Unit</b>
<b>Income Units</b>				
Group 1	0.9500	–	0.9500	0.9100
Group 2	0.9500	–	0.9500	0.9100
<b>Accumulation Units</b>				
Group 1	2.4090	–	2.4090	2.2305
Group 2	2.4090	–	2.4090	2.2305

# Sarasin Income and Reserves Fund

**Annual Report and Financial Statements for the year  
01.01.2019 to 31.12.2019**

**Investment Objective of the Sub-fund as set by the Board**

We seek to grow the sub-fund (through increases in investment value and income) by 2.0% per year more than the Consumer Prices Index (CPI) over a rolling 5-year period after deducting fees and costs.

This target is not guaranteed over any period of time and the sub-fund could lose value.

**Investment Policy of the Sub-fund**

*Investments*

We invest the sub-fund approximately as follows:

- Bonds: 75%

Up to 20% of the bonds we invest in can be rated higher risk by external ratings agencies but the majority are rated as 'investment grade'.

- Shares: 20% in 40-100 companies listed on major stock exchanges around the world.

- Cash or Alternatives: 5%

Exposure to any of the above asset classes may be obtained through investment in funds (including funds managed by Sarasin).

We also invest in derivatives and use them to increase performance and generate income. Derivatives are financial contracts whose value is linked to the price of another asset (e.g. indices, rates, share prices, currencies).

*Investment Selection*

The strategic asset mix of the sub-fund (as defined by the blended benchmark) sets out how the portfolio will be allocated in normal market conditions. However, the sub-fund is managed on an active basis and, when there is a strong sentiment, positive or negative, on a particular asset class or classes, the Investment Manager will actively deviate away from this asset mix and the securities in the underlying indices to try to meet the investment objective.

*Investment Screening*

We avoid investment in companies which are materially engaged in certain sectors, including tobacco, alcohol, armaments, gambling and adult entertainment.

We have an environmental, social & governance strategy. We consider which target investments fulfil an environmentally or socially beneficial role and that employ high standards of governance.

*Additional Techniques*

We use derivatives to adjust how sensitive the sub-fund is to changes in currencies, to act on opportunities or control risk, and to gain cost effective access to investments. We usually aim for the sub-fund's exposure to Sterling to be the same as the blended benchmark (around 90%). We may use an income reserve to smooth the income we pay over time.

**Composite Benchmark**

	<b>Weighting</b>
ICE BofAML UK Gilts All Stocks	37.50%
ICE BofAML Sterling Corporate	37.50%
1 Month LIBOR	5.00%
FTSE All-Share Index (5% capped)	10.00%
MSCI All Countries World ex UK	10.00%

## Investment Manager's Review

### Review

The year of 2019 was a case study in the competing dynamics of geopolitical uncertainty and the ability of central banks to stimulate financial markets – with the latter eventually winning out. This is not to say that uncertainty did not weigh on markets however, escalating trade tensions between the US and China have repeatedly interrupted periods of relative calm causing bouts of volatility. Likewise, a government shut down in the US, ongoing Brexit negotiations and civil unrest in Hong Kong have contributed to a general feeling of uncertainty. Nevertheless, monetary stimulus was the dominant of the two forces and global equities climbed a wall of worry supported by central bank rate cuts and, in the case of the European Central Bank (ECB), the resumption of Quantitative Easing (QE). The global economy was tepid at best, as healthy consumer spending in the developed world outweighed the effects of a slump in global manufacturing and trade. Ultimately, the sub-fund posted strong gains over the year, although modestly behind the composite benchmark after taking into account expenses.

### Performance

It was a good year for Sterling denominated fixed income. Gilts rallied from 1.25% at the start of the year to less than 0.4% at the height of the global growth “scare” in early September (which also coincided with peak Brexit anxiety) before retracing higher to finish the year at 0.8%. Meanwhile, UK credit saw a very strong Q1 (rebounding from a torrid 4Q18) and Q4, with solid performance in between, for a cumulative 5.8% of outperformance vs duration-matched gilts, the strongest relative performance since 2013. The strength into year-end derived from a signs of diminishing geopolitical uncertainty combined with ECB QE and the Fed’s expanding its balance sheet in Q4 at the fastest pace since the Great Financial Crisis. This translated to a 2019 total return of 7.0% for Gilts and between 9-11% for different sections of UK Credit.

Buoyed by three rate cuts from the US Federal Reserve, US equities were the best performing globally, despite the rising uncertainty surrounding the US China trade war. Information technology stocks contributed the most to performance, one of which was Apple, which rose almost 90% in 2019 following the successful launch of the new iPhone 11 and impressive sales within their “wearables” segment. Equinix reported good numbers, as it demonstrated that it is largely insulated from challenges facing its wholesale peers, as Facebook, Amazon, and Google all slowed their infrastructure builds. Strong performance has not been limited to the technology sector however, as Orsted, the offshore wind energy company, experienced solid growth for much of the year, culminating in a series of high profile contract wins in the US. Orsted have identified the US as a good potential growth area given the level of market saturation at present and these contracts provide reassurance that they maintain their position as the market leader in this space.

In contrast, the sub-fund's oil & gas exposure detracted from returns, while financials also lagged during a year of interest rate cuts and falling yields. For instance, our shares in Swedbank suffered following allegations of potential money laundering transfers relating to the bank's Estonian operations. With the regulator's investigation open-ended we had very limited visibility as to the credibility of the accusations and decided to exit our holding after the annual dividend in March. Pfizer was a negative contributor after announcing the spin-off of its off-patent drug business to merge with Mylan. The news was not taken lightly by the market due to concerns over the timing and valuation of the sale. Finally, Deutsche Wohnen, one of Europe's leading residential landlords with over 70% of its properties in Berlin, suffered as the Berlin senate approved a white paper proposal to freeze rental increases for five years. The Berlin Court has since ruled that the proposed rental cap violates the constitution but uncertainty remains.

We decided to reduce our exposure to the portfolio's more illiquid alternative investments at the start of this year, selling Twenty Four Income and Alcentra Floating Rate Income Fund, while incrementally reducing Sequoia Economic Infrastructure and SQN Asset Finance Income fund. This was done in recognition of the late cycle environment and a set of political tail risks, which could potentially destabilize markets, drying up liquidity and causing price shocks in the process. Moreover, we increased our position in Gold due to its characteristics as a store of value during times of uncertainty or economic downturns. For similar reasons, we modestly increased the proportion of government bonds held compared to credit.

In terms of transactions, we sold Total, on concerns over their imbedded oil price assumptions, as well as Air Products, IAA and Henkel – using the proceeds to start some new positions in Broadcom and Microsoft, among others. We also invested in EssilorLuxottica, which specialises in the design, manufacture and distribution of ophthalmic optics and Accenture plc, one of the leading organizations providing IT consulting and outsourcing services. In relative terms, Accenture has been soft towards the end of the year, likely on concerns about the strength of 2020 IT budgets. However, recent signs of improved CEO confidence and a bottoming out of manufacturing data reduces the risk of a sharp fall in revenue growth, which should enable the market to focus on the structural growth of the company, supported by Digitalisation and Automation. More recently, the sub-fund sold the remaining shares in 3M ahead of broadly disappointing third quarter results and a challenging outlook statement.

### Investment Manager's Review (continued)

#### Outlook

In the US, tensions with China seem to be diminishing following the Phase 1 trade deal, however, the short-term damage already done to the global economy will take some time to repair. All the same, if this de-escalation of the trade war continues then it is supportive for business and consumer sentiment alike. Doubtless, President Trump will have a plan to boost the US economy ahead of presidential elections in November 2020. In the meantime, US consumer spending remains robust and the US Federal Reserve will likely continue its current programme of asset purchases to dampen volatility. All the same, we are alert to the danger that the market has become too complacent over the Fed's supply of easy money in the short term. An imminent US recession now seems less likely.

Elsewhere, China has the wherewithal for further policy stimulus to support its economy, although the People's Bank of China (PBOC) reiterated that it is not in a hurry, emphasising the preference for infrastructure over property investment. In Europe and the UK, consumer spending remains healthy and continues to fuel growth, supported by rising real wages and a tight labour market. Manufacturing, having been a drag on global growth for much of the last 2 years, seems to have inflected. Finally, central banks have shown that they are prepared to support the global economy against the backdrop of stubborn inflation and mediocre macroeconomic data meaning that although a pause on further stimulus looks likely, a return to tightening policy seems improbable. Moreover, an appreciation of the limited scope for monetary stimulus has caused governments to re-examine the fiscal toolkit as a means for stimulating growth in 2020.

We continue to appreciate and monitor the risks to global growth. Geopolitical uncertainty is diminishing, and, whilst we wait to add to our favourite, long-term thematic equity ideas at more attractive valuation levels, a stabilizing economic backdrop is supportive for asset prices. Within fixed income, a balanced combination of high quality credit and government bonds seems appropriate in offering good opportunities for stable returns, especially when considering the dovish rhetoric emanating from central banks. Beyond that, the selection of quality, income-paying stocks underpinned by thematic drivers offers the opportunity for capital gains in times of normality. As such, we believe the sub-fund is well positioned but in the event of a downturn there are mechanisms that should limit volatility. In appreciation of the late cycle environment, we have balanced portfolio risk through equity insurance strategies, as well as increasing investments in the traditional safe haven, government bonds, which serve well to protect against exogenous shocks.

Richard Maitland  
Partner & Head of Charities  
Sarasin & Partners LLP  
21st January 2020

All opinions and estimates contained in this Review constitute the Company's judgement and view as of the date of the report and are subject to change without notice. The Investment Manager's Review was compiled prior to the onset of the COVID-19 pandemic, which has resulted in volatility and uncertainty in global financial markets. This post balance sheet event is disclosed in the Report of the Operator and in the Post Balance Sheet Events Note.

### Sensitivity analysis

The sub-fund invests in equities and bonds. The exposure to equity markets is then reduced through the use of short futures and options. Exposure to foreign currencies is also altered through the use of forwards and occasionally options. The level of equity exposure varies over time depending on how positive the manager is; generally the level has been in the range of 10-30%.

Options are used on individual stocks to implement views on specific stocks. Listed options or futures on bond indices are occasionally used to implement yield curve views.

The Value at Risk (VaR) is a statistical technique used to measure and quantify the level of risk within an investment portfolio over a specific timeframe.

The VaR is independently calculated by StatPro Risk who evaluates the volatility and correlation of the sub-fund's holdings over a period of 2 years. StatPro calculate historical price variations of each asset on a daily basis over this year using a historical simulation methodology with full repricing.

The VaR statistic adopted for Sarasin funds is the "99% / 20-day VaR" model. To calculate this figure StatPro rank the distribution and then calculate the VaR figure based on the 99th percentile. This is intended to show, with a 99% degree of confidence, the maximum amount that might be lost over a 20-day period.

The "99% / 20-day VaR" for Sarasin Income & Reserves Fund, as at 31st December 2019, was 3.61% (31st December 2018: 3.97%). The lowest, highest, and average utilisation in the year was 3.52%, 4.37%, and 3.94%, respectively (31st December 2018: 3.47%, 4.10%, and 3.73%, respectively).

### Top 20 Purchases during the year<sup>1</sup>

UK Treasury 4.25% 07/12/2049  
 UK Treasury 4.00% 07/03/2022  
 UK Treasury 2.75% 07/09/2024  
 UK Treasury 4.00% 22/01/2060  
 UK Treasury 4.75% 07/12/2030  
 UK Treasury 4.25% 07/12/2046  
 New York Life Global Funding 1.25% 17/12/2026  
 Kreditanstalt fuer Wiederaufbau 0.375% 15/12/2020  
 Barclays 2.375% 06/10/2023  
 Wales & West Utilities Finance 5.00% 07/03/2028  
 Standard Chartered 5.125% 06/06/2034  
 European Investment Bank 1.375% 07/03/2025  
 Electricite de France 6.125% 02/06/2034  
 UK Treasury 4.25% 07/12/2027  
 Yorkshire Building Society 3.00% 18/04/2025  
 BNP Paribas 3.375% 23/01/2026  
 UK Treasury 4.75% 07/03/2020  
 Credit Agricole 7.375% 18/12/2023  
 Legal & General  
 Henkel 1.00% 30/09/2022

### Top 20 Sales during the year<sup>1</sup>

UK Treasury 4.75% 07/03/2020  
 UK Treasury 2.75% 07/09/2024  
 UK Treasury 0.75% 22/07/2023  
 UK Treasury 4.50% 07/12/2042  
 UK Treasury 8.00% 07/06/2021  
 Barclays 3.25% 12/02/2027  
 Admiral  
 UK Treasury 4.25% 07/12/2027  
 Air Products & Chemicals  
 Bunzl Finance 2.25% 11/06/2025  
 Sarasin IE Global Real Estate Equity 'I' GBP Income  
 Cadent Finance 2.125% 22/09/2028  
 Coventry Building Society 1.875% 24/10/2023  
 Total  
 Banco Santander 2.75% 12/09/2023  
 UK Treasury 4.75% 07/12/2030  
 Digital Stout 4.25% 17/01/2025  
 BUPA Finance 5.00% 08/12/2026  
 ING 3.00% 18/02/2026  
 Henkel 1.00% 30/09/2022

<sup>1</sup> Excluding money market funds.



**Sub-fund Information for the year ended 31st December 2019**

Size (Units)	Unit Type	Mid Price	Yield*
125,232,845	Income	112.60 pence	3.56%
7,490,202	Accumulation	204.90 pence	3.51%
Launch Date	23rd February 2018		
Launch Price	Income: 109.00 pence Accumulation: 186.00 pence		
Management Charges	Annual:	0.75%	
	Initial:	0.00%	
Unit Types	Income & Accumulation Units		
Accounting Period Ends	Interim:	31st March	
	Interim:	30th June	
	Interim:	30th September	
	Final:	31st December	
Initial Minimum Investment:	£1,000		

\* The yield shown is the historic yield and is calculated by taking the distribution rate for the last four distributions, multiplied by 100 and divided by the mid price of the units.

The Comparative Tables on pages 56 and 57 give the performance of each active unit class in the sub-fund.

The 'Return after charges' disclosed in the Comparative Tables is calculated as the return after operating charges per unit divided by the opening net asset value per unit. It differs from the sub-fund's performance disclosed in the Manager's report, which is calculated based on the latest published price.

Portfolio transaction costs are incurred when investments are bought or sold by a fund in order to achieve the investment objective. These transaction costs affect an investor in different ways depending on whether they are joining, leaving or continuing with their investment in the sub-fund.

Direct transaction costs include broker commission and taxes. Broker commission includes the fee paid to a broker to execute the trades.

In addition, there are indirect portfolio transaction costs arising from the 'dealing spread' – the difference between the buying and selling prices of underlying investments in the portfolio. Unlike units whereby broker commissions and stamp duty are paid by the fund on each transaction, other types of investments (such as bonds, money instruments, derivatives, collective investment schemes) do not have separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and money market sentiment.

**Sub-fund Information for the year ended 31st December 2019 (continued)**  
**Comparative Tables**
*Income Units***Change in Net Asset Value per Unit**

	<b>2019</b> <b>(pence per unit)</b>	<b>2018<sup>1</sup></b> <b>(pence per unit)</b>
Opening net asset value per unit	105.59	109.00
Return before operating charges*	10.79	1.27
Operating charges (calculated on average price)	(0.91)	(0.77)
Return after operating charges*	9.88	0.50
Distributions on income units	(4.00)	(3.91)
Closing net asset value per unit	111.47	105.59
* after direct transaction costs of <sup>2</sup> :	(0.02)	(0.01)
<b>Performance</b>		
Return after charges <sup>3</sup>	9.36%	0.46%
<b>Other Information</b>		
Closing net asset value (£'000)	139,595	125,497
Closing number of units	125,232,845	118,854,916
Operating charges <sup>4</sup>	0.84%	0.82%
Direct transaction costs	(0.02)%	(0.01)%
<b>Prices</b>		
Highest unit price	114.90	110.20
Lowest unit price	106.20	106.10

<sup>1</sup> Unit class launched 23rd February 2018. The opening net asset value per unit is the Launch Price.

<sup>2</sup> Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution levies that relate to direct transaction costs. A negative transaction cost figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

<sup>3</sup> The return after charges is calculated as the return after operating charges per unit divided by the opening net asset value per unit.

<sup>4</sup> Operating charges, otherwise known as the OCF is the ratio of the sub-fund's total disclosable costs (excluding overdraft interest) to the average net assets of the sub-fund. The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a sub-fund and is calculated based on the last period's figures. Included within the OCF are synthetic costs which include the OCF of the underlying funds weighted on the basis of their investment proportion. For Sarasin Income and Reserves Fund, 0.01% of the Operating Charges was made up of synthetic costs.

**Sub-fund Information for the year ended 31st December 2019 (continued)**  
**Comparative Tables (continued)**

*Accumulation Units*

**Change in Net Asset Value per Unit**

	<b>2019</b> <b>(pence per unit)</b>	<b>2018<sup>1</sup></b> <b>(pence per unit)</b>
Opening net asset value per unit	186.91	186.00
Return before operating charges*	19.59	2.04
Operating charges (calculated on average price)	(1.97)	(1.13)
Return after operating charges*	17.62	0.91
Distributions	(7.19)	(6.77)
Retained distributions on accumulation units	(7.19)	6.77
Closing net asset value per unit	204.53	186.91
* after direct transaction costs of <sup>2</sup> :	(0.05)	(0.02)
<b>Performance</b>		
Return after charges <sup>3</sup>	9.43%	0.49%
<b>Other Information</b>		
Closing net asset value (£'000)	15,320	9,410
Closing number of units	7,490,202	5,034,574
Operating charges <sup>4</sup>	0.84%	0.82%
Direct transaction costs	(0.02)%	(0.01)%
<b>Prices</b>		
Highest unit price	207.30	191.40
Lowest unit price	187.90	185.00

<sup>1</sup> Unit class launched 23rd February 2018. The opening net asset value per unit is the Launch Price.

<sup>2</sup> Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution levies that relate to direct transaction costs. A negative transaction cost figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

<sup>3</sup> The return after charges is calculated as the return after operating charges per unit divided by the opening net asset value per unit.

<sup>4</sup> Operating charges, otherwise known as the OCF is the ratio of the sub-fund's total disclosable costs (excluding overdraft interest) to the average net assets of the sub-fund. The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a sub-fund and is calculated based on the last period's figures. Included within the OCF are synthetic costs which include the OCF of the underlying funds weighted on the basis of their investment proportion. For Sarasin Income and Reserves Fund, 0.01% of the Operating Charges was made up of synthetic costs.

## Portfolio Statement as at 31st December 2019

Holding or Nominal Value	Investment	Bid Market Value (£)	% of Net Assets
<b>Sterling Government Bonds 29.74% (31 December 2018 - 32.02%)</b>			
£5,600,000	UK Treasury 4.50% 07/12/2042	9,124,090	5.89
£5,050,000	UK Treasury 4.75% 07/12/2030	7,097,623	4.58
£5,100,000	UK Treasury 4.25% 07/12/2027	6,503,070	4.20
£5,500,000	UK Treasury 2.75% 07/09/2024	6,043,015	3.90
£3,000,000	UK Treasury 4.25% 07/03/2036	4,364,118	2.82
£1,600,000	UK Treasury 4.25% 07/12/2049	2,751,664	1.78
£2,000,000	UK Treasury 4.00% 07/03/2022	2,150,020	1.39
£1,000,000	UK Treasury 4.25% 07/12/2046	1,656,940	1.07
£840,000	UK Treasury 4.00% 22/01/2060	1,571,111	1.01
£1,100,000	UK Treasury 8.00% 07/06/2021	1,216,006	0.78
£800,000	High Speed Rail Finance 4.375% 01/11/2038	1,024,128	0.66
£500,000	UK Treasury 3.50% 22/07/2068	912,192	0.59
£700,000	Transport for London 3.875% 23/07/2042	910,585	0.59
£600,000	Affordable Housing Finance 2.893% 11/08/2043	746,460	0.48
		<b>46,071,022</b>	<b>29.74</b>
<b>Sterling Corporate Bonds 29.22% (31 December 2018 - 30.64%)</b>			
£1,000,000	Wellcome Trust Finance 4.625% 25/07/2036	1,471,178	0.95
£800,000	LCR Finance 4.50% 07/12/2028	1,027,560	0.66
£800,000	Lloyds Bank 7.625% 22/04/2025	1,019,376	0.66
£779,688	Tesco Property Finance 5.801% 13/10/2040	1,019,138	0.66
£1,000,000	Barclays 2.375% 06/10/2023	1,017,740	0.66
£950,000	Places for People Treasury 2.875% 17/08/2026	977,617	0.63
£750,000	Manchester Airport 4.75% 31/03/2034	975,012	0.63
£1,200,000	Dignity Finance 4.696% 31/12/2049	968,277	0.63
£700,000	Scottish Widows 7.00% 16/06/2043	961,444	0.62
£700,000	EMH Treasury 4.50% 29/01/2044	944,275	0.61
£750,000	Wales & West Utilities Finance 5.00% 07/03/2028	936,472	0.60
£737,378	UPP Bond 1 Issuer 4.902% 28/02/2040	931,652	0.60
£700,000	Eastern Power Networks 8.50% 31/03/2025	928,229	0.60
£789,170	Greater Gabbard Ofco 4.137% 29/11/2032	915,296	0.59
£850,000	Royal Bank of Scotland 2.875% 19/09/2026	885,120	0.57
£800,000	Orange 5.75% Perpetual	883,866	0.57
£850,000	Investec Bank 4.25% 24/07/2028	873,273	0.56
£800,000	A2Dominion Housing 3.50% 15/11/2028	857,648	0.55
£700,000	Arqiva Financing 5.34% 30/06/2030	844,255	0.55
£800,000	Bazalgette Finance 2.375% 29/11/2027	843,090	0.54
£800,000	Channel Housing Link Enterprises Finance F2F 3.043% 30/06/2050	832,282	0.54
£769,667	Prs Finance 1.75% 24/11/2026	797,452	0.51
£500,000	THFC (Funding No 2) 6.35% 08/07/2041	795,192	0.51
£700,000	Legal & General F2V 5.375% 27/10/2045	794,312	0.51
£586,720	Great Rolling 6.875% 27/07/2035	747,212	0.48
£750,000	RAC Bond 4.87% 06/05/2046	743,047	0.48
£661,994	WoDS Transmission 3.446% 24/08/2034	740,483	0.48
£600,000	BPCE 5.25% 16/04/2029	738,789	0.48
£700,000	London & Quadrant Housing Trust 2.625% 05/05/2026	732,033	0.47
£700,000	Segro 2.375% 11/10/2029	728,832	0.47
£700,000	Yorkshire Building Society 3.00% 18/04/2025	722,712	0.47
£600,000	Prudential F2V 5.70% 19/12/2063	721,242	0.47

**Portfolio Statement as at 31st December 2019 (Continued)**

Holding or Nominal Value	Investment	Bid Market Value (£)	% of Net Assets
<b>Sterling Corporate Bonds (continued)</b>			
£656,000	BNP Paribas 3.375% 23/01/2026	714,858	0.46
£600,000	Unite (USAF) 3.921% 30/06/2025	663,859	0.43
£600,000	InterContinental Hotels 3.75% 14/08/2025	657,198	0.42
£600,000	Electricite de France 5.875% Perpetual	655,950	0.42
£600,000	CYBG 4.00% 25/09/2026	626,384	0.40
£500,000	Koninklijke 5.75% 17/09/2029	606,644	0.39
£600,000	AA Bond 2.875% 31/01/2022	595,321	0.38
£550,000	Retail Charity Bond 3.90% 23/11/2029	590,700	0.38
£490,000	Standard Chartered 5.125% 06/06/2034	589,323	0.38
£550,000	CPUK Finance 3.588% 28/02/2042	589,137	0.38
£550,000	Aviva F2F 6.625% 03/06/2041	588,808	0.38
£500,000	HSBC Bank 6.50% 07/07/2023	581,348	0.38
£500,000	Places for People Treasury 3.625% 22/11/2028	540,540	0.35
£500,000	Land Securities Capital Markets 2.399% 08/02/2031	520,516	0.34
£500,000	Retail Charity Bond 4.50% 20/06/2026	512,500	0.33
£500,000	Retail Charity Bond 4.25% 30/03/2028	510,000	0.33
£500,000	HSBC F2V 2.256% 13/11/2026	507,371	0.33
£500,000	Legal & General Group 3.75% 26/11/2049	505,674	0.33
£500,000	SSE 3.875% Perpetual	503,750	0.33
£500,000	National Grid Electricity Transmission 1.375% 16/09/2026	496,019	0.32
£300,000	University of Manchester 4.25% 04/07/2053	479,166	0.31
£300,000	SSE 8.375% 20/11/2028	446,771	0.29
£369,000	A2D Funding II 4.50% 30/09/2026	418,698	0.27
£300,000	ENEL Finance International 5.625% 14/08/2024	355,033	0.23
£300,000	Land Securities Capital Markets 5.391% 31/03/2027	354,533	0.23
£300,000	Aviva F2F 5.125% 04/06/2050	347,521	0.22
£300,000	Prudential F2V 5.625% 20/10/2051	342,947	0.22
£329,000	Cadent Finance 2.75% 22/09/2046	336,409	0.22
£300,000	Catalyst Housing 3.125% 31/10/2047	333,712	0.22
£308,000	Llyods Banking 2.25% 16/10/2024	316,861	0.20
£300,000	Go-Ahead 2.50% 06/07/2024	303,006	0.20
£200,000	SSE 8.375% 20/11/2028	297,847	0.19
£220,000	Retail Charity Bond 5.00% 29/07/2021	247,500	0.16
£200,000	CPUK Finance 7.239% 28/02/2042	240,252	0.16
£200,000	Barclays 6.375% Perpetual	215,842	0.14
£200,000	Alpha Plus 5.00% 31/03/2024	187,955	0.12
£100,000	University of Southampton 2.25% 11/04/2057	103,286	0.07
		<b>45,257,345</b>	<b>29.22</b>
<b>Overseas Bonds 12.71% (31 December 2018 - 10.20%)</b>			
£700,000	Heathrow Funding 5.875% 13/05/2043	1,096,147	0.71
£700,000	Innogy Finance 6.125% 06/07/2039	1,070,009	0.69
£1,050,000	New York Life Global Funding 1.25% 17/12/2026	1,040,863	0.67
£1,000,000	International Finance 1.25% 15/12/2023	1,012,648	0.65
£850,000	Verizon Communications 3.375% 27/10/2036	962,004	0.62
£600,000	AT&T 7.00% 30/04/2040	938,492	0.61
£700,000	Comcast 5.50% 23/11/2029	929,418	0.60
£900,000	Credit Suisse F2F 2.125% 12/09/2025	914,040	0.59
£800,000	Deutsche Bahn Finance 1.375% 07/07/2025	805,136	0.52

**Portfolio Statement as at 31st December 2019 (Continued)**

Holding or Nominal Value	Investment	Bid Market Value (£)	% of Net Assets
<b>Overseas Bonds (continued)</b>			
£750,000	Bank Nederlandse Gemeenten 5.375% 07/06/2021	797,685	0.51
£700,000	Thames Water Utilities Cayman Finance 3.50% 25/02/2028	768,687	0.50
£750,000	European Investment Bank 1.375% 07/03/2025	763,500	0.49
£700,000	SNCF Reseau 5.50% 01/12/2021	759,371	0.49
£750,000	Kreditanstalt fuer Wiederaufbau 0.375% 15/12/2020	747,231	0.48
£500,000	Electricite de France 6.125% 02/06/2034	722,468	0.47
£600,000	Temasek Financial 4.625% 26/07/2022	655,702	0.42
IDR11,000,000,000	Inter-American Development Bank 7.875% 14/03/2023	631,900	0.41
USD750,000	Credit Agricole 6.875% Perpetual	625,284	0.40
£500,000	Telefonica Emisiones 5.289% 09/12/2022	557,181	0.36
£350,000	Credit Agricole 7.375% 18/12/2023	425,926	0.28
USD550,000	Greenko Dutch 5.25% 24/07/2024	422,170	0.27
£400,000	Orsted 2.125% 17/05/2027	413,885	0.27
£400,000	AA Bond 4.875% 31/07/2043	407,415	0.26
£300,000	Wells Fargo 4.625% 02/11/2035	392,379	0.25
£300,000	Telefonica Emisiones 5.445% 08/10/2029	384,557	0.25
USD453,000	Credit Suisse Group 6.375% Perpetual	369,698	0.24
£300,000	AXA 5.625% 16/01/2054	366,607	0.24
INR33,100,000	International Finance 6.30% 25/11/2024	351,771	0.23
USD250,000	Indian Railway Finance 3.835% 13/12/2027	196,781	0.13
IDR2,850,000,000	European Investment Bank 7.40% 24/01/2022	159,344	0.10
		<b>19,688,299</b>	<b>12.71</b>
<b>UK Equities 9.09% (31 December 2018 - 8.85%)</b>			
174,577	HSBC	1,033,321	0.67
199,971	BP	943,063	0.61
12,364	AstraZeneca	940,406	0.61
12,617	Reckitt Benckiser	773,170	0.50
251,297	Legal & General	761,430	0.49
16,631	Rio Tinto	748,811	0.48
17,075	Unilever	742,848	0.48
1,187,862	Lloyds Banking	742,414	0.48
184,308	DS Smith	707,927	0.46
29,898	Royal Dutch Shell 'B'	669,566	0.43
22,845	WH Smith	592,599	0.38
366,800	Man	579,544	0.37
31,104	GlaxoSmithKline	553,216	0.36
28,896	Compass	546,134	0.35
14,600	Carnival	531,148	0.34
31,057	Prudential	449,084	0.29
59,393	Barratt Developments	443,428	0.29
65,952	SSP	428,688	0.28
283,941	Vodafone	416,712	0.27
22,361	Smith & Nephew	409,541	0.27
338,225	Octopus Renewables Infrastructure Trust	361,901	0.23
30,610	IMI	360,739	0.23
251,534	Gresham House Energy Storage	269,141	0.17
31,057	M&G	73,605	0.05
		<b>14,078,436</b>	<b>9.09</b>

## Portfolio Statement as at 31st December 2019 (Continued)

Holding or Nominal Value	Investment	Bid Market Value (£)	% of Net Assets
<b>Global Equities 10.04% (31 December 2018 - 9.71%)</b>			
10,145	Novartis	729,947	0.47
23,500	Bridgestone	666,964	0.43
21,504	Pfizer	637,517	0.41
5,080	Microsoft	605,646	0.39
13,250	Taiwan Semiconductor Manufacturing ADR	582,803	0.38
3,179	Amgen	579,772	0.37
2,576	Apple	572,126	0.37
3,433	Credicorp	554,338	0.36
3,622	CME	550,169	0.36
224	Givaudan	531,449	0.34
5,031	JPMorgan Chase	530,828	0.34
10,145	Colgate-Palmolive	528,563	0.34
6,554	Orsted	514,952	0.33
4,749	Air Liquide	508,813	0.33
1,302	BlackRock	495,211	0.32
1,990	Broadcom	475,904	0.31
57,400	AIA	456,504	0.29
12,802	Service Corp International	446,020	0.29
14,258	Deutsche Wohnen	441,500	0.28
4,850	United Parcel Service	429,704	0.28
27,802	Sonic Healthcare	423,991	0.27
2,226	NextEra Energy	407,771	0.26
44,664	ING Groep	405,682	0.26
3,469	Marriott International 'A'	397,534	0.26
2,402	Accenture	382,785	0.25
2,498	Ecolab	364,838	0.24
1,433	Roche	352,328	0.23
8,064	Bank of Nova Scotia	343,327	0.22
2,934	EssilorLuxottica	338,667	0.22
2,273	Union Pacific	310,948	0.20
1,300	Costco Wholesale	289,171	0.19
180	Amazon.com	251,678	0.16
39,371	Enel	236,664	0.15
2,402	First Republic Bank	213,578	0.14
30	MSCI World Put Option 6500 23/03/2020 <sup>1</sup>	11,061	0.01
(30)	MSCI World Put Option 5800 23/03/2020 <sup>1</sup>	(3,248)	–
(22)	Union Pacific Call Option 175 17/01/2020 <sup>1</sup>	(11,742)	(0.01)
		<b>15,553,763</b>	<b>10.04</b>
<b>UK Property 0.17% (31 December 2018 - 0.21%)</b>			
286,054	Civitas Social Housing	<b>260,881</b>	<b>0.17</b>
<b>Global Property 0.83% (31 December 2018 - 1.13%)</b>			
1,803	Equinix	795,687	0.51
4,584	Crown Castle International	493,138	0.32
		<b>1,288,825</b>	<b>0.83</b>

**Portfolio Statement as at 31st December 2019 (Continued)**

Holding or Nominal Value	Investment	Bid Market Value (£)	% of Net Assets
	<b>Alternatives 0.83% (31 December 2018 - 1.93%)</b>		
327,480	International Public Partnerships	546,237	0.35
412,953	Sequoia Economic Infrastructure Income	480,677	0.31
221,369	US Solar Fund	174,293	0.11
108,605	SQN Asset Finance Income	89,491	0.06
		<b>1,290,698</b>	<b>0.83</b>
	<b>Global Collective Investment Schemes 1.34% (31 December 2018 - 1.47%)</b>		
80,000	Neuberger Berman Emerging Market Debt	821,600	0.53
196,007	CF Morant Wright Nippon Yield 'B' Income	695,373	0.45
6,400	Ashmore SICAV Emerging Markets Short Duration 'Z' Income	561,664	0.36
		<b>2,078,637</b>	<b>1.34</b>
	<b>Forward Currency Contracts -0.01% (31 December 2018 - 0.01%)</b>		
USD (5,531,426)	Sold USD, Bought GBP 4,181,794 for settlement on 19/03/2020	2,959	–
EUR (2,555,190)	Sold EUR, Bought GBP 2,165,600 for settlement on 19/03/2020	(12,118)	(0.01)
		<b>(9,159)</b>	<b>(0.01)</b>
	<b>Total Value of Investments 93.96% (31 December 2018 - 96.17%)</b>	<b>145,558,747</b>	<b>93.96</b>
	Net Other Assets	9,356,527	6.04
	<b>Net Assets</b>	<b>154,915,274</b>	<b>100.00</b>

Securities are admitted to an official stock exchange listing or traded on another regulated market unless otherwise stated.

\*Derivative Instruments

## Asset Allocation of Portfolio of Investments is as follows:

Bonds	111,016,666	71.67
Collective Investment Schemes	2,078,637	1.34
Derivatives	(3,929)	–
Equities	32,476,532	20.96
Forward Currency Contracts	(9,159)	(0.01)
Net Other Assets	9,356,527	6.04
	<b>154,915,274</b>	<b>100.00</b>

## Debt Security Allocation is as follows:

Percentage of Debt Securities investment grade and above	95.78%
Percentage of Debt Securities below investment grade (sub BBB- or unrated)	4.22%
	<b>100.00%</b>



**Statement of Total Return**  
**For the year ended 31st December 2019**

	Notes	£	01.01.2019 to 31.12.2019 £	£	23.02.2018 to 31.12.2018 <sup>1</sup> £
Income					
Net capital gains/(losses)	2		10,199,528		(1,519,364)
Revenue	3	4,267,861		3,475,002	
Expenses	4	(1,226,182)		(1,028,387)	
Interest payable and similar charges	6	(58)		(6)	
<b>Net revenue before taxation</b>		<b>3,041,621</b>		<b>2,446,609</b>	
Taxation	5	(75,193)		(17,860)	
<b>Net revenue after taxation for the year</b>			<b>2,966,428</b>		<b>2,428,749</b>
<b>Total return before distributions</b>			<b>13,165,956</b>		<b>909,385</b>
Distributions	6		(5,394,808)		(4,689,191)
<b>Changes in net assets attributable to unitholders from investment activities</b>			<b>7,771,148</b>		<b>(3,779,806)</b>

**Statement of Changes in Net Assets Attributable to Unitholders**  
**For the year ended 31st December 2019**

		£	01.01.2019 to 31.12.2019 £	£	23.02.2018 to 31.12.2018 <sup>1</sup> £
<b>Opening net assets attributable to unitholders</b>			<b>134,907,315</b>		<b>–</b>
Movement due to sales and repurchases of units:					
Amounts received on issue of units		56,100,926		19,831,380	
Amounts received on in-specie transactions		–		148,064,519	
Amounts paid on cancellation of units		(44,364,874)		(29,623,475)	
			<b>11,736,052</b>		<b>138,272,424</b>
Dilution levy			40,506		20,899
Changes in net assets attributable to unitholders from investment activities (see above)			7,771,148		(3,779,806)
Retained distribution on accumulation units			460,253		393,798
<b>Closing net assets attributable to unitholders</b>			<b>154,915,274</b>		<b>134,907,315</b>

The notes on pages 65 to 76 form part of these Financial Statements.

<sup>1</sup>Sub-fund launched 23rd February 2018.

**Balance Sheet  
As at 31st December 2019**

	Notes	31.12.2019 £	31.12.2018 <sup>1</sup> £
<b>Assets</b>			
<b>Fixed assets:</b>			
<b>Investments</b>		145,585,855	129,743,181
<b>Current assets:</b>			
<b>Debtors</b>	8	3,199,380	1,170,422
<b>Cash and bank balances</b>	9	7,411,787	5,252,339
<b>Total assets</b>		156,197,022	136,165,942
<b>Investment liabilities</b>		(27,108)	(1,332)
<b>Creditors:</b>			
<b>Bank overdrafts</b>	9	(6,603)	(6,947)
<b>Distribution payable on income units</b>		(1,146,632)	(1,155,270)
<b>Other creditors</b>	10	(101,405)	(95,078)
<b>Total liabilities</b>		(1,281,748)	(1,258,627)
<b>Net assets attributable to unitholders</b>		<b>154,915,274</b>	<b>134,907,315</b>

The notes on pages 65 to 76 form part of these Financial Statements.

<sup>1</sup> Sub-fund launched on 23rd February 2018.

**Certification of Accounts by Directors**

The Directors are of the opinion that it is appropriate to adopt the going concern basis in the preparation of the Financial Statements as the assets of the sub-fund consist predominantly of securities that are readily realisable and, accordingly, the sub-fund has adequate resources to continue in operational existence for at least the next twelve months from the approval of these financial statements.

G. V. Matthews  
Director  
Sarasin Investment Funds Limited  
29 June 2020

S. A. M. Jeffries  
Director  
Sarasin Investment Funds Limited  
29 June 2020

# Notes

## Notes to the financial statements For the year ended 31st December 2019

### 1. Accounting Policies

The accounting policies for this sub-fund match those found on pages 16 to 18.

### 2. Net Capital Gains/(Losses)

	01.01.2019 to 31.12.2019 £	23.02.2018 to 31.12.2018 £
Net capital gains/(losses) comprise:		
Non-derivative securities realised gains	1,264,257	5,367
Non-derivative securities unrealised gains/(losses)	8,936,299	(1,321,081)
Derivative securities realised losses	(20,571)	(31,794)
Derivative securities unrealised (losses)/gains	(39,454)	6,408
Forward currency contracts realised gains/(losses)	132,021	(155,511)
Forward currency contracts unrealised (losses)/gains	(25,574)	16,415
Currency losses	(47,518)	(39,341)
Management fee rebates	77	619
Transaction charges	(9)	–
Derivative charges	–	(446)
	<b>10,199,528</b>	<b>(1,519,364)</b>

### 3. Revenue

	01.01.2019 to 31.12.2019 £	23.02.2018 to 31.12.2018 £
UK dividends	595,530	591,606
Overseas dividends	714,818	557,389
Bank Interest	11,992	5,417
Interest on debt securities	2,734,122	2,166,326
Unfranked PID <sup>1</sup> revenue	11,771	4,183
Franked PID <sup>1</sup> revenue	–	5,666
Option premium	73,371	20,051
Franked CIS <sup>2</sup> revenue	21,174	19,427
Offshore dividend CIS <sup>2</sup> revenue	5,412	11,643
Offshore interest CIS <sup>2</sup> revenue	99,671	93,294
	<b>4,267,861</b>	<b>3,475,002</b>

<sup>1</sup>Property Income Dividend

<sup>2</sup>Collective Investment Scheme

#### 4. Expenses

	01.01.2019 to 31.12.2019 £	23.02.2018 to 31.12.2018 £
<b>Payable to the Manager, associates of the Manager, and agents of either of them:</b>		
Management fees	1,114,191	930,360
	<b>1,114,191</b>	<b>930,360</b>
<b>Payable to the Trustee, associates of the Trustee, and agents of either of them:</b>	-	-
<b>Other Expenses</b>		
Fixed operating charge <sup>1</sup>	109,491	92,490
Professional fees	2,500	5,537
	<b>111,991</b>	<b>98,027</b>
<b>Total Expenses</b>	<b>1,226,182</b>	<b>1,028,387</b>

<sup>1</sup> The Audit fee for 31 December 2019 was £7,250 plus VAT (31 December 2018: £7,018 plus VAT).

#### 5. Taxation

	01.01.2019 to 31.12.2019 £	23.02.2018 to 31.12.2018 £
a) Analysis of tax charge in year		
Overseas tax	75,193	17,860
<b>Total tax for the year</b>	<b>75,193</b>	<b>17,860</b>

b) As the Trust is a Charity Authorised Investment Fund, it is exempt from United Kingdom tax on capital gains realised on the disposal of investments held within the sub-fund and any UK corporation tax.

The sub-fund is also excluded from the normal tax rules which apply to revenue allocations to units and payments on redemption of units made to unitholders in an authorised unit trust scheme. For the purposes of the sub-fund, revenue of the sub-fund is not considered to be dividends in the hands of the unitholders and therefore no income tax is payable in respect of the revenue allocated to each unit.

In addition, any gains on the redemption of units in the sub-fund are not to be treated as chargeable gains for Capital Gains Tax purposes and therefore no Capital Gains Tax is payable on redemption of units.

## 6. Distribution

The distributions take account of revenue received on the creation of units and revenue deducted on the cancellation of units, and comprise:

	01.01.2019 to 31.12.2019 £	23.02.2018 to 31.12.2018 £
First interim	1,318,624	1,079,752
Second interim	1,517,704	1,484,531
Third interim	1,308,206	1,416,614
Final	1,271,449	1,241,109
	<b>5,415,983</b>	<b>5,222,006</b>
Add: Revenue deducted on cancellation of units	147,770	100,376
Deduct: Revenue received on creation of units	(168,945)	(52,548)
Deduct: Reserve transferred from predecessor fund	–	(580,643)
<b>Net distributions for the year</b>	<b>5,394,808</b>	<b>4,689,191</b>
Interest payable and similar charges	58	6
	<b>5,394,866</b>	<b>4,689,197</b>

## 7. Movement between Net Revenue and Distribution

	01.01.2019 to 31.12.2019 £	23.02.2018 to 31.12.2018 £
Net revenue after tax	2,966,428	2,428,749
Add: Undistributed revenue Reserve brought forward	60	–
Less: Undistributed revenue Reserve carried forward	(132)	(60)
Add: Benefit of coupon basis distribution	1,202,270	1,232,115
Add: Expenses payable from capital	1,226,182	1,028,387
<b>Net Distribution for the year</b>	<b>5,394,808</b>	<b>4,689,191</b>

## 8. Debtors

	31.12.2019 £	31.12.2018 £
Amounts receivable for creation of units	2,000,000	–
Sales awaiting settlement	725	–
Accrued revenue	1,127,824	1,109,737
Overseas tax recoverable	69,914	60,061
Property income distribution tax recoverable	917	442
Fee rebate receivable	–	182
	<b>3,199,380</b>	<b>1,170,422</b>

**9. Cash and Bank Balances**

	31.12.2019	31.12.2018
	£	£
Cash and bank balances	7,333,401	5,238,201
Cash held at clearing houses	78,386	14,138
	<b>7,411,787</b>	<b>5,252,339</b>
Bank overdrafts	(6,579)	(6,947)
Cash due to clearing houses	(24)	–
	<b>7,405,184</b>	<b>5,245,392</b>

**10. Other Creditors**

	31.12.2019	31.12.2018
	£	£
Accrued expenses	101,405	95,078
	<b>101,405</b>	<b>95,078</b>

**11. Contingent Assets/(Liabilities)**

The sub-fund had no contingent asset or liability as at 31st December 2019 (31st December 2018: same).

**12. Equalisation**

Equalisation is not applied to distributions paid by the sub-fund.

**13. Units in Issue**

The sub-fund currently has two unit classes: Income and Accumulation. The annual management charge on each unit class can be found on page 55. The net asset value of each unit class, the net asset value per unit and the number of units in each class are given in the comparative tables on pages 56 and 57. The distribution per unit class is given in the distribution tables on pages 77 and 78. All classes have the same rights on winding up and have no par value.

	<b>Income Units</b>	<b>Accumulation Units</b>
Opening units	118,854,916	5,034,574
Units created	46,613,712	2,535,774
Units liquidated	(40,189,658)	(105,975)
Units converted	(46,125)	25,829
Closing units	125,232,845	7,490,202

**14. Related Parties**

Sarasin & Partners LLP and Sarasin Investment Funds Limited, together with Natwest Trustee and Depository Services Limited as Corporate Trustee, are deemed to be Related Parties, by virtue of their ability to act in respect of the sub-fund's operations.

Sarasin & Partners LLP acts as principal on all transactions of units in the sub-fund. The aggregate monies received through creations and liquidations are disclosed in the statement of change in net assets attributable to unitholders.

Management fees are paid to Sarasin Investment Funds Limited and are shown in note 4.

**14. Related Parties (continued)**

Amounts due to Related Parties at the year end:

	31.12.2019	31.12.2018
	£	£
Management fees	92,495	86,378
	<b>92,495</b>	<b>86,378</b>

At 31st December 2019, the sub-fund held no units in any other sub-fund or collective investment scheme managed by associated companies of Sarasin Investment Funds.

At 31st December 2018, the sub-fund held units in the following Collective Investment Schemes, managed by associated companies of Sarasin Investment Funds Limited:

		31.12.2018
		£
Sarasin IE Global Real Estate Equity 'I' GBP Income		
	Shares	41,362
	Bid Market Value (£)	691,366

No initial charges were applied to the purchases of these Collective Investment Schemes.

**15. Risk Management Policies and Disclosures****Financial Instruments**

In pursuing its investment objectives as stated on page 51, the sub-fund holds a number of financial instruments. The sub-fund's financial instruments, other than derivatives, comprise securities and other investments, cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for redemptions and debtors for accrued revenue.

The main risks arising from the sub-fund's financial instruments and the Operator's policies for managing these risks are summarised below, a sensitivity analysis of the sub-fund is provided on page 54. These policies have been applied throughout the year.

**Market Price Risk**

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

Adherence to investment guidelines and to investment and borrowing powers set out in The Charities (Accounts and Reports) Regulations 2008 mitigates the risk of excessive exposure to any particular type of security or issuer.

**Derivative Risk**

Derivatives are comprised of forward foreign currency contracts, futures and options contracts. Forward foreign currency contracts are used to manage currency risk arising from the sub-fund's investment activities (and related financing). Open positions at the balance sheet date, which are all covered, are included in the portfolio statement. Gains/(losses) on forward foreign exchange transactions are taken to capital. Futures contracts are used to reduce the risks associated with the market risk of the equity portfolio and to align the sub-fund's exposures to market movements with that of the sub-fund's benchmarks.

The sub-fund is able to use traded options for Efficient Portfolio Management purposes only, thus always hedging up to the amount of stock which is physically owned. The purpose of undertaking these contracts is to protect the Portfolio from a downturn in the market as far as possible.

## 15. Risk Management Policies and Disclosures (continued)

### Currency Risk

Currency risk is the risk that the value of the sub-fund's investment holdings will fluctuate as a result of changes in foreign currency exchange rates.

A proportion of the sub-fund's investment portfolios are invested in overseas securities and the balance sheet can be affected by movements in foreign exchange rates. The Operator may seek to manage exposure to currency movements by using forward exchange contracts or by hedging the sterling value of investments that are priced in other currencies. Revenue received in other currencies is converted to sterling on or near the date of receipt.

Currency exposure as at 31st December 2019

	Monetary Exposure £	Non-Monetary Exposure £	Total £	%
Australian dollar	–	423,991	423,991	0.27
Canadian dollar	1,776	343,327	345,103	0.22
Danish kroner	1,318	514,953	516,271	0.33
Euro	23,952	1,927,021	1,950,973	1.26
Hong Kong dollar	–	456,504	456,504	0.29
Indian rupee	–	351,771	351,771	0.23
Indonesian rupiah	–	791,244	791,244	0.51
Japanese yen	–	666,964	666,964	0.43
Swiss franc	42,868	1,613,723	1,656,591	1.07
US dollar	11,650	12,675,172	12,686,822	8.19
	<b>81,564</b>	<b>19,764,670</b>	<b>19,846,234</b>	<b>12.80</b>
Sterling	9,274,963	125,794,077	135,069,040	87.20
	<b>9,356,527</b>	<b>145,558,747</b>	<b>154,915,274</b>	<b>100.00</b>



**15. Risk Management Policies and Disclosures (continued)**

Currency exposure as at 31st December 2018

	Monetary Exposure £	Non-Monetary Exposure £	Total £	%
Australian dollar	–	314,796	314,796	0.23
Canadian dollar	613	498,765	499,378	0.37
Danish kroner	–	480,374	480,374	0.36
Euro	26,771	2,478,649	2,505,420	1.86
Indian rupee	–	368,294	368,294	0.27
Indonesian rupiah	–	598,399	598,399	0.44
Japanese yen	–	660,242	660,242	0.49
Swedish krona	–	591,402	591,402	0.44
Swiss franc	32,674	1,649,509	1,682,183	1.25
US dollar	5,531	5,740,889	5,746,420	4.26
	<b>65,589</b>	<b>13,381,319</b>	<b>13,446,908</b>	<b>9.97</b>
Sterling	5,099,877	116,360,530	121,460,407	90.03
	<b>5,165,466</b>	<b>129,741,849</b>	<b>134,907,315</b>	<b>100.00</b>

**Credit Risk**

Certain transactions in securities that the sub-fund enters into exposes it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the sub-fund has fulfilled its responsibilities. The sub-fund only buys and sells investments through brokers which have been approved by the Operator as an acceptable counterparty. In addition, limits are set to the exposure to any individual broker that may exist at any time and changes in brokers' financial ratings are reviewed. Bonds or other debt securities involve credit risk to the issuer which may be evidenced by the issuer's credit rating. Securities which are subordinated and/or have a lower credit rating are generally considered to have a higher credit risk and a greater possibility of default than more highly rated securities.

This risk is managed by appraising the credit profile of financial instruments and issuers in line with the sub-fund's investment objective and policy.

Exposure to counterparties through derivative positions and the collateral held at the balance sheet date can be seen on page 75.

**Liquidity Risk**

The sub-fund's assets comprise mainly of readily realisable securities. The main liability of the sub-fund is the redemption of any units over and above the cash holdings that investors wish to sell. Assets of the sub-fund may need to be sold if insufficient cash is available to finance such redemptions.

As the sub-fund has significant holdings in readily realisable level 1 and level 2 securities, it is expected that the sub-fund will be able to generate sufficient cash flows to settle these obligations when they arise.

**Interest Rate Risk**

Interest rate risk is the risk that the value of the sub-fund's investment holdings will fluctuate as a result of changes in interest rates. The sub-fund invests in fixed and floating rate securities. The revenue of the sub-fund may be affected by changes to interest rates relevant to particular securities or as a result of the Operator being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movements in the future. Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates.

**15. Risk Management Policies and Disclosures (continued)**

Interest Rate Risk Profile of the sub-fund's Assets and Liabilities:

	Floating Rate Financial Assets	Fixed Rate Financial Assets	Financial Assets not carrying interest	Total
	£	£	£	£
<b>31st December 2019</b>				
Australian dollar	–	–	423,991	423,991
Canadian dollar	–	–	345,103	345,103
Danish kroner	–	–	516,271	516,271
Euro	6,579	–	1,966,339	1,972,918
Hong Kong dollar	–	–	456,504	456,504
Indian rupee	–	351,771	–	351,771
Indonesian rupiah	–	791,244	–	791,244
Japanese yen	–	–	666,964	666,964
Sterling	20,053,509	95,599,743	20,663,825	136,317,077
Swiss franc	–	–	1,656,591	1,656,591
US dollar	1,009,616	618,951	11,070,021	12,698,588
	<b>21,069,704</b>	<b>97,361,709</b>	<b>37,765,609</b>	<b>156,197,022</b>
	Floating Rate Financial Liabilities	Fixed Rate Financial Liabilities	Financial Liabilities not carrying interest	Total
	£	£	£	£
<b>31st December 2019</b>				
Euro	6,579	–	15,366	21,945
Sterling	–	–	1,248,037	1,248,037
US dollar	24	–	11,742	11,766
	<b>6,603</b>	<b>–</b>	<b>1,275,145</b>	<b>1,281,748</b>

**15. Risk Management Policies and Disclosures (continued)**

Interest Rate Risk Profile of the sub-fund's Assets and Liabilities:

	Floating Rate Financial Assets	Fixed Rate Financial Assets	Financial Assets not carrying interest	Total
	£	£	£	£
<b>31st December 2018</b>				
Australian dollar	–	–	314,796	314,796
Canadian dollar	–	–	499,378	499,378
Danish kroner	–	–	480,374	480,374
Euro	6,947	–	2,506,752	2,513,699
Indian rupee	–	368,294	–	368,294
Indonesian rupiah	–	598,399	–	598,399
Japanese yen	–	–	660,242	660,242
Sterling	13,743,484	88,253,516	20,713,755	122,710,755
Swedish krona	–	–	591,402	591,402
Swiss franc	–	–	1,682,183	1,682,183
US dollar	5,531	567,660	7,247,261	7,820,452
	<b>13,755,962</b>	<b>89,787,869</b>	<b>34,696,143</b>	<b>138,239,974</b>
			Financial Liabilities not carrying interest	Total
	Floating Rate Financial Liabilities	Fixed Rate Financial Liabilities	£	£
<b>31st December 2018</b>				
Euro	6,947	–	1,332	8,279
Sterling	–	–	1,250,348	1,250,348
US dollar	–	–	2,074,032	2,074,032
	<b>6,947</b>	<b>–</b>	<b>3,325,712</b>	<b>3,332,659</b>

**15. Risk Management Policies and Disclosures (continued)****Fair Value of Financial Assets and Liabilities**

The fair value of a financial instrument is the amount for which it could be exchanged between knowledgeable, willing parties in an arm's length transaction. There is no significant difference between the value of the financial assets and liabilities, as shown in the financial statements, and their fair value.

**Valuation technique as at 31st December 2019**

	Level 1 £	Level 2 £	Level 3 £	Total £
<b>Financial Assets</b>				
Collective Investment Schemes	–	2,078,637	–	2,078,637
Debt Securities	43,389,849	67,626,817	–	111,016,666
Equities	32,476,532	–	–	32,476,532
Forward Currency Contracts	–	2,959	–	2,959
Options	11,061	–	–	11,061
	<b>75,877,442</b>	<b>69,708,413</b>	<b>–</b>	<b>145,585,855</b>
<b>Financial Liabilities</b>				
Forward Currency Contracts	–	(12,118)	–	(12,118)
Options	(14,990)	–	–	(14,990)
	<b>(14,990)</b>	<b>(12,118)</b>	<b>–</b>	<b>(27,108)</b>

**Valuation technique as at 31st December 2018**

	Level 1 £	Level 2 £	Level 3 £	Total £
<b>Financial Assets</b>				
Collective Investment Schemes	724,750	2,675,209	–	3,399,958
Debt Securities	41,124,067	57,167,424	–	98,291,491
Equities	28,035,316	–	–	28,035,316
Forward Currency Contracts	–	16,415	–	16,415
	<b>69,884,133</b>	<b>59,859,048</b>	<b>–</b>	<b>129,743,181</b>
<b>Financial Liabilities</b>				
Options	(1,332)	–	–	(1,332)
	<b>(1,332)</b>	<b>–</b>	<b>–</b>	<b>(1,332)</b>

**Level 1**

The unadjusted quoted price in an active market for identical instruments that the entity can access at the measurement date.

**Level 2**

Valuation techniques using observable inputs other than quoted prices within Level 1 (i.e., developed using market data).

**Level 3**

Valuation techniques using unobservable inputs (i.e., for which market data is unavailable).

The valuation technique has been disclosed under note 1m Accounting Policies on page 17.

## 15. Risk Management Policies and Disclosures (continued)

### Counterparty Risk

During the year, the sub-fund made use of 'Over The Counter' (OTC) Derivative Instruments. These types of transactions introduce counterparty risk, where a counterparty may fail to meet its financial commitments.

In order to reduce this risk, collateral may be held by the sub-fund. The counterparties to these transactions and any collateral held by the sub-fund at the balance sheet date are shown below:

<b>Counterparty Name as at 31st December 2019</b>	<b>Exposure £</b>
Eurex	11,061
The Bank of New York Mellon	2,959

<b>Counterparty Name as at 31st December 2018</b>	<b>Exposure £</b>
The Bank of New York Mellon	16,415

Positive exposure represents the mark to market value of derivative contracts and the sub-fund's exposure to that counterparty.

## 16. Portfolio Transaction Costs

	01.01.2019 to 31.12.2019 £	23.02.2018 to 31.12.2018 £
Analysis of total purchase costs:		
Purchases in year before transaction costs		
Bonds	38,055,435	135,052,915
Collective Investment Schemes	102,262	5,490,855
Corporate Actions	1,421,996	1,063,629
Derivatives	179,648	185,265
Equities	11,399,269	34,880,281
<b>Total purchases</b>	<b>51,158,610</b>	<b>176,672,945</b>
Commissions:		
Equities total value paid	6,447	1,542
Taxes:		
Equities total value paid	1	1
<b>Total purchase costs</b>	<b>6,448</b>	<b>1,543</b>
<b>Gross purchase costs</b>	<b>51,165,057</b>	<b>176,674,488</b>
Analysis of total sale costs:		
Gross sales in year before transaction costs		
Bonds	30,116,460	34,652,999
Collective Investment Schemes	795,513	2,678,194
Corporate Actions	1,421,996	1,063,629
Derivatives	115,347	152,067
Equities	11,743,801	5,658,368
<b>Total sales</b>	<b>44,193,117</b>	<b>44,205,257</b>

**16. Portfolio Transaction Costs (continued)**

	01.01.2019 to 31.12.2019 £	23.02.2018 to 31.12.2018 £
Commissions:		
Equities total value paid	(3,880)	(2,004)
Taxes:		
Equities total value paid	(1)	(3)
<b>Total sales costs</b>	<b>(3,881)</b>	<b>(2,007)</b>
<b>Total sales net of transaction costs</b>	<b>44,189,236</b>	<b>44,203,250</b>

The average portfolio dealing spread as at 31st December 2019 was 0.37% (31st December 2018: 0.39%).

**17. Post Balance Sheet Events****COVID-19**

The impact of the COVID-19 pandemic is disclosed in the Report of the Operator. The event has resulted in increased volatility and uncertainty in all global financial markets. It is an unprecedented event and the eventual impact on the global economy and markets will largely depend on the scale and duration of the outbreak. Since the year end, the performance of the sub-fund to 17 June 2020 has been +2.6% on an absolute basis and -0.8% on a relative basis. Subscriptions to the sub-fund from year end to 5 June 2020 were +£14.4m and redemptions were -£13.7m for the same period. No material net redemption activity is attributed to systemic factors related to market shocks post COVID-19.. The Board of Directors of the Operator will continue to monitor this situation.

The following changes to performance targets and asset allocations have been implemented effective 1st February 2020. The CPI+ performance target has changed from 2% to 1%. The index used to benchmark UK equities has changed from FTSE All-Share Index (5% Capped) to MSCI UK IMI. Several changes have been made to the weighted asset allocations of the strategic benchmark. The 35% limit on investing in government and public securities has been removed.

# Distribution Tables

For the year ended 31st December 2019

## First Interim distribution in pence per unit

Group 1: Units purchased prior to 1st January 2019

Group 2: Units purchased between 1st January 2019 and 31st March 2019

Unit	Net Revenue 2019 Pence per Unit	Equalisation (note 12) 2019 Pence per Unit	1st Interim Distribution Paid 2019 Pence per Unit	1st Interim Distribution Paid 2018 Pence per Unit
<b>Income Units</b>				
Group 1	0.9662	–	0.9662	0.8091
Group 2	0.9662	–	0.9662	0.8091
<b>Accumulation Units</b>				
Group 1	1.7104	–	1.7104	1.3814
Group 2	1.7104	–	1.7104	1.3814

## Second Interim distribution in pence per unit

Group 1: Units purchased prior to 1st April 2019

Group 2: Units purchased between 1st April 2019 and 30th June 2019

Unit	Net Revenue 2019 Pence per Unit	Equalisation (note 12) 2019 Pence per Unit	2nd Interim Distribution Paid 2019 Pence per Unit	2nd Interim Distribution Paid 2018 Pence per Unit
<b>Income Units</b>				
Group 1	1.1405	–	1.1405	1.0806
Group 2	1.1405	–	1.1405	1.0806
<b>Accumulation Units</b>				
Group 1	2.0369	–	2.0369	1.8586
Group 2	2.0369	–	2.0369	1.8586

**Third Interim distribution in pence per unit**

Group 1: Units purchased prior to 1st July 2019

Group 2: Units purchased between 1st July 2019 and 30th September 2019

<b>Unit</b>	<b>Net Revenue 2019 Pence per Unit</b>	<b>Equalisation (note 12) 2019 Pence per Unit</b>	<b>3rd Interim Distribution Paid 2019 Pence per Unit</b>	<b>3rd Interim Distribution Paid 2018 Pence per Unit</b>
<b>Income Units</b>				
Group 1	0.9818	–	0.9818	1.0499
Group 2	0.9818	–	0.9818	1.0499
<b>Accumulation Units</b>				
Group 1	1.7715	–	1.7715	1.8238
Group 2	1.7715	–	1.7715	1.8238

**Final distribution in pence per unit**

Group 1: Units purchased prior to 1st October 2019

Group 2: Units purchased between 1st October 2019 and 31st December 2019

<b>Unit</b>	<b>Net Revenue 2019 Pence per Unit</b>	<b>Equalisation (note 12) 2019 Pence per Unit</b>	<b>Final Distribution Paid 2020 Pence per Unit</b>	<b>Final Distribution Paid 2019 Pence per Unit</b>
<b>Income Units</b>				
Group 1	0.9156	–	0.9156	0.9720
Group 2	0.9156	–	0.9156	0.9720
<b>Accumulation Units</b>				
Group 1	1.6664	–	1.6664	1.7050
Group 2	1.6664	–	1.6664	1.7050



# Sarasin Climate Active Endowments Fund

**Annual Report and Financial Statements for the year  
01.01.2019 to 31.12.2019**

### Investment Objective of the Sub-fund as set by the Board

We seek to grow the sub-fund (through increases in investment value and income) by 4.5% per year more than the Consumer Prices Index (CPI) over a rolling 5 year period after deducting fees and costs.

This target is not guaranteed over any period of time and the sub-fund could lose value.

### Investment Policy of the Sub-fund

#### Investments

We invest the sub-fund approximately as follows:

- Shares: 70% in 60-100 companies listed on major stock exchanges around the world.

- Bonds: 17.5%

Up to 20% of the bonds we invest in can be rated higher risk by external ratings agencies but the majority are rated as 'investment grade'.

- Real estate investments: 7.5%

- Cash or Alternatives: 5%

Exposure to any of the above asset classes may be obtained through investment in funds (including funds managed by Sarasin).

We also invest in derivatives and use them to increase performance and generate income. Derivatives are financial contracts whose value is linked to the price of another asset (e.g. indices, rates, share prices, currencies).

#### Investment Selection

The strategic asset mix of the sub-fund (as defined by the blended benchmark) sets out how the portfolio will be allocated in normal market conditions. However, the sub-fund is managed on an active basis and when there is a strong sentiment, positive or negative, on a particular asset class or classes, the Investment Manager will actively deviate away from this asset mix and the securities in the underlying indices to try to meet the investment objective. The sub-fund's investments can be from any country/region, sector or industry. Investments are selected to align with the goal of the Paris Climate Change Agreement to keep global temperature increases to well below 2 degrees Celsius above pre-industrial times.

#### Investment Screening

We avoid investment in companies which are materially engaged in certain sectors, including thermal coal, the extraction of fossil fuel from tar sands, tobacco, alcohol, armaments, gambling and adult entertainment.

We have an environmental, social & governance strategy. We consider which target investments are likely to benefit from a move towards a lower carbon economy and which may be harmed.

We also look to engage with companies we invest in, particularly those whose activities could significantly impact climate change. We may disinvest if we believe those companies are not sufficiently addressing the material risks of such a move.

#### Additional Techniques

We use derivatives to adjust how sensitive the sub-fund is to changes in currencies, to act on opportunities or control risk, and to gain cost-effective access to investments. We usually aim for the sub-fund's exposure to Sterling to be the same as the blended benchmark (around 71.5%). We use an income reserve to smooth the income we pay over time.

#### Composite Benchmark

	<b>Weighting</b>
ICE BofAML UK Gilts All Stocks	9.00%
ICE BofAML Sterling Corporate	8.50%
FTSE All-Share Index (5% capped)	20.00%
MSCI All Countries World ex UK (Local Currency)	25.00%
MSCI All Countries World ex UK	25.00%
MSCI All Balanced Property Fund Index*	4.00%
S&P Developed Property	3.50%
1 Month LIBOR	5.00%

\*Formerly known as IPD All Balanced Property Fund Index.

## Investment Manager's Review

### Review

The year of 2019 was a case study in the competing dynamics of geopolitical uncertainty and the ability of central banks to stimulate financial markets – with the latter eventually winning out. This is not to say that uncertainty did not weigh on markets however, escalating trade tensions between the US and China have repeatedly interrupted periods of relative calm causing bouts of volatility. Likewise, a government shut down in the US, ongoing Brexit negotiations and civil unrest in Hong Kong have contributed to a general feeling of uncertainty. Nevertheless, monetary stimulus was the dominant of the two forces and global equities climbed a wall of worry supported by central bank rate cuts and, in the case of the ECB, the resumption of QE. The global economy was tepid at best, as healthy consumer spending in the developed world outweighed the effects of a slump in global manufacturing and trade. Ultimately, the sub-fund posted strong gains over the year, ahead of the composite benchmark after taking into account expenses.

### Performance

Global equities were the best performing asset class in 2019. Buoyed by three rate cuts from the US Federal Reserve, US equities were the best performing globally, despite the rising uncertainty surrounding the US China trade war. Information technology stocks contributed the most to performance, led by Apple, which rose almost 90% in 2019 following the successful launch of the new iPhone 11 and impressive sales within their “wearables” segment. MasterCard ‘A’ reported strong earnings in January, which alleviated concerns about their payments business struggling in the face of slowing global activity. As it turns out, doubts were unfounded as MasterCard ‘A’ continued its good performance into year-end, beating expectations in both Q2 and Q3. Equinix also reported good numbers, as it demonstrated that it is largely insulated from challenges facing its wholesale peers, as Facebook, Amazon, and Google all slowed their infrastructure builds. Strong performance has not been limited to the technology sector however, as Orsted, the offshore wind energy company, experienced solid growth for much of the year, culminating in a series of high profile contract wins in the US. Orsted have identified the US as a good potential growth area given the level of market saturation at present and these contracts provide reassurance that they maintain their position as the market leader in this space.

In contrast, health care stocks struggled having performed well through turbulent markets in the closing months of last year. For instance, Pfizer was a negative contributor after announcing the spin-off of its off-patent drug business to merge with Mylan. The news was not taken lightly by the market due to concerns over the timing and valuation of the sale. Earlier in the year, our shares in Swedbank suffered following allegations of potential money laundering transfers relating to the bank's Estonian operations. With the regulator's investigation open-ended we had very limited visibility as to the credibility of the accusations and decided to exit our holding after the annual dividend in March. Finally, Deutsche Wohnen, one of Europe's leading residential landlords with over 70% of its properties in Berlin, suffered as the Berlin senate approved a white paper proposal to freeze rental increases for five years. The Berlin Court has since ruled that the proposed rental cap violates the constitution but uncertainty remains.

We decided to reduce our exposure to the portfolio's more illiquid alternative investments at the start of this year, selling Twenty Four Income and Alcentra Floating Rate Income Fund, while incrementally reducing Sequoia Economic Infrastructure Income and SQN Asset Finance Income Fund. This was done in recognition of the late cycle environment and a set of political tail risks, which could potentially destabilize markets, drying up liquidity and causing price shocks in the process. To maintain exposure within Alternatives, the sub-fund has participated in the launch of several infrastructure funds; namely, US Solar Fund, Gresham House Energy Storage Fund and most recently, the Octopus Renewables Infrastructure Trust. Each of these funds aim to provide steady returns through the production, transmission or storage of renewable energy. Moreover, we increased our position in Gold due to its characteristics as a store of value during times of uncertainty or economic downturns. For similar reasons, we modestly increased the proportion of government bonds held compared to credit.

In terms of transactions, the sub-fund sold IAA and Henkel – using the proceeds to start some new positions in Aramark and Microsoft, among others. We also invested in EssilorLuxottica, which specialises in the design, manufacture and distribution of ophthalmic optics and Accenture, one of the leading organizations providing IT consulting and outsourcing services. In relative terms, Accenture has been soft towards the end of the year, likely on concerns about the strength of 2020 IT budgets. However, recent signs of improved CEO confidence and a bottoming out of manufacturing data reduces the risk of a sharp fall in revenue growth, which should enable the market to focus on the structural growth of the company, supported by Digitalisation and Automation. More recently, the sub-fund sold the remaining shares in 3M ahead of broadly disappointing third quarter results and a challenging outlook statement.

### Outlook

In the US, tensions with China seem to be diminishing following the Phase 1 trade deal, however, the short-term damage already done to the global economy will take some time to repair. All the same, if this de-escalation of the trade war continues then it is supportive for business and consumer sentiment alike. Doubtless, President Trump will have a plan to boost the US economy ahead of presidential elections in November 2020. In the meantime, US consumer spending remains robust and the US Federal Reserve will likely continue its current programme of asset purchases to dampen volatility. All the same, we are alert to the danger that the market has become too complacent over the Fed's supply of easy money in the short term. An imminent US recession now seems less likely.

**Investment Manager's Review (continued)**

Elsewhere, China has the wherewithal for further policy stimulus to support its economy, although the PBOC reiterated that it is not in a hurry, emphasising the preference for infrastructure over property investment. In Europe and the UK, consumer spending remains healthy and continues to fuel growth, supported by rising real wages and a tight labour market. Manufacturing, having been a drag on global growth for much of the last 2 years, seems to have inflected. Finally, central banks have shown that they are prepared to support the global economy against the backdrop of stubborn inflation and mediocre macroeconomic data meaning that although a pause on further stimulus looks likely, a return to tightening policy seems improbable. Moreover, an appreciation of the limited scope for monetary stimulus has caused governments to re-examine the fiscal toolkit as a means for stimulating growth in 2020.

We continue to appreciate and monitor the risks to global growth. Geopolitical uncertainty is diminishing, and, whilst we wait to add to our favourite, long-term thematic equity ideas at more attractive valuation levels, a stabilizing economic backdrop is supportive for asset prices. Equities remain our preferred asset class, particularly in the context of bond yields near all-time lows. However, in appreciation of the late cycle environment we have balanced the portfolio risk through portfolio protection strategies, as well as increasing investments in traditional safe havens such as gold and government bonds, which serve well to protect against exogenous shocks. As such, we believe the sub-fund is well positioned to benefit from equity market expansion, driven by supportive monetary and fiscal policy, but in the event of a downturn there are mechanisms that should reduce volatility.

Richard Maitland  
Partner & Head of Charities  
Sarasin & Partners LLP  
21st January 2020

All opinions and estimates contained in this Review constitute the Company's judgement and view as of the date of the report and are subject to change without notice. The Investment Manager's Review was compiled prior to the onset of the COVID-19 pandemic, which has resulted in volatility and uncertainty in global financial markets. This post balance sheet event is disclosed in the Report of the Operator and in the Post Balance Sheet Events Note.

### Sensitivity analysis

The sub-fund invests in equities and bonds. The exposure to equity markets is then reduced through the use of short futures and options. Exposure to foreign currencies is also altered through the use of forwards and occasionally options. The level of equity exposure varies over time depending on how positive the operator is; generally, the level has been in the range of 30-70%.

Options are used on individual stocks to implement views on specific stocks. Listed options or futures on bond indices are occasionally used to implement yield curve views.

The Value at Risk (VaR) is a statistical technique used to measure and quantify the level of risk within an investment portfolio over a specific timeframe.

The VaR is independently calculated by StatPro Risk who evaluates the volatility and correlation of the sub-fund's holdings over a period of 2 years. StatPro calculate historical price variations of each asset on a daily basis over this year using a historical simulation methodology with full repricing.

The VaR statistic adopted for Sarasin Funds is the "99% / 20-day VaR" model. To calculate this figure, StatPro rank the distribution and then calculate the VaR figure based on the 99th percentile. This is intended to show, with a 99% degree of confidence, the maximum amount that might be lost over a 20-day period.

The "99% / 20-day VaR" for Sarasin Climate Active Endowments Fund, as at 31st December 2019, was 7.10% (31st December 2018: 5.53%). The lowest, highest, and average utilisation in the year was 5.42%, 7.49%, and 6.27%, respectively (31st December 2018: 4.27%, 5.84%, and 5.01%, respectively).

### Top 20 Purchases during the year<sup>1</sup>

Microsoft  
 Accenture  
 Service Corp International  
 Legal & General  
 Aramark  
 United Parcel Service  
 Ecolab  
 Orsted  
 Lloyds Banking  
 Enel  
 Colgate-Palmolive  
 Marriott International 'A'  
 Source Physical Gold  
 UK Treasury 4.50% 07/12/2042  
 Octopus Renewables Infrastructure Trust  
 Broadcom  
 UK Treasury 3.75% 07/09/2020  
 Deere & Co  
 HSBC  
 CME

### Top 20 Sales during the year<sup>1</sup>

Royal Dutch Shell 'B'  
 Texas Instruments  
 CF Morant Wright Nippon Yield 'B' Income  
 IAA  
 Enel  
 3M  
 Mastercard 'A'  
 UK Treasury 3.75% 07/09/2019  
 Henkel  
 Sarasin IE Global Real Estate Equity 'I' GBP Income  
 UK Treasury 3.75% 07/09/2020  
 Swedbank  
 SQN Asset Finance Income  
 Givaudan  
 NextEra Energy  
 Taiwan Semiconductor Manufacturing ADR  
 Mitsui Fudosan  
 Union Pacific  
 KAR Auction Services  
 Costco Wholesale

<sup>1</sup> Excluding money market funds.

**Sub-fund Information for the year ended 31st December 2019**

Size (Units)	Unit Type	Mid Price	Yield*
171,781,634	Income	113.90 pence	3.12%
648,973	Accumulation	288.70 pence	3.08%
Launch Date	16th February 2018		
Launch Price	Income: 101.70 pence Accumulation: 243.10 pence		
Management Charges	Annual:	0.75%	
	Initial:	0.00%	
Unit Types	Income & Accumulation Units		
Accounting Period Ends	Interim:	31st March	
	Interim:	30th June	
	Interim:	30th September	
	Final:	31st December	
Initial Minimum Investment:	£1,000		

\* The yield shown is the historic yield and is calculated by taking the distribution rate for the last four distributions, multiplied by 100 and divided by the mid price of the units.

The Comparative Tables on pages 85 and 86 give the performance of each active unit class in the sub-fund.

The 'Return after charges' disclosed in the Comparative Tables is calculated as the return after operating charges per unit divided by the opening net asset value per unit. It differs from the sub-fund's performance disclosed in the Manager's report, which is calculated based on the latest published price.

Portfolio transaction costs are incurred when investments are bought or sold by a fund in order to achieve the investment objective. These transaction costs affect an investor in different ways depending on whether they are joining, leaving or continuing with their investment in the sub-fund.

Direct transaction costs include broker commission and taxes. Broker commission includes the fee paid to a broker to execute the trades.

In addition, there are indirect portfolio transaction costs arising from the 'dealing spread' – the difference between the buying and selling prices of underlying investments in the portfolio. Unlike shares whereby broker commissions and stamp duty are paid by the fund on each transaction, other types of investments (such as bonds, money instruments, derivatives, collective investment schemes) do not have separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and money market sentiment.

**Sub-fund Information for the year ended 31st December 2019 (continued)**  
**Comparative Tables**
*Income Units***Change in Net Asset Value per Unit**

	<b>2019</b> <b>(pence per unit)</b>	<b>2018<sup>1</sup></b> <b>(pence per unit)</b>
Opening net asset value per unit	96.90	101.70
Return before operating charges*	20.49	(0.58)
Operating charges (calculated on average price)	(0.93)	(0.80)
Return after operating charges*	19.56	(1.38)
Distributions on income units	(3.55)	(3.42)
Closing net asset value per unit	112.91	96.90
* after direct transaction costs of <sup>2</sup> :	0.03	0.04
<b>Performance</b>		
Return after charges <sup>3</sup>	20.19%	(1.36)%
<b>Other Information</b>		
Closing net asset value (£'000)	249,856	166,456
Closing number of units	221,283,409	171,781,634
Operating charges <sup>4</sup>	0.87%	0.91%
Direct transaction costs	0.03%	0.03%
<b>Prices</b>		
Highest unit price	115.00	106.50
Lowest unit price	96.40	96.65

<sup>1</sup> Unit class launched 16th February 2018. The opening net asset value per unit is the Launch Price.

<sup>2</sup> Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution levies that relate to direct transaction costs. A negative transaction cost figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

<sup>3</sup> The return after charges is calculated as the return after operating charges per unit divided by the opening net asset value per unit.

<sup>4</sup> Operating charges, otherwise known as the OCF is the ratio of the sub-fund's total disclosable costs (excluding overdraft interest) to the average net assets of the sub-fund. The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a sub-fund and is calculated based on the last period's figures. Included in the OCF are synthetic costs which include the OCF of the underlying funds weighted on the basis of their investment proportion. For Sarasin Climate Active Endowments Fund, 0.05% of the Operating Charges was made up of synthetic cost.

**Sub-fund Information for the year ended 31st December 2019 (continued)**  
**Comparative Tables (continued)**

*Accumulation Units*

**Change in Net Asset Value per Unit**

	<b>2019</b> <b>(pence per unit)</b>	<b>2018<sup>1</sup></b> <b>(pence per unit)</b>
Opening net asset value per unit	239.73	243.10
Return before operating charges*	51.32	33.87
Operating charges (calculated on average price)	(2.43)	(37.24)
Return after operating charges*	48.89	(3.37)
Distributions	(8.89)	(8.27)
Retained distributions on accumulation units	8.89	8.27
Closing net asset value per unit	288.62	239.73
* after direct transaction costs of <sup>2</sup> :	0.08	(0.00)
<b>Performance</b>		
Return after charges <sup>3</sup>	20.39%	(1.39)%
<b>Other Information</b>		
Closing net asset value (£'000)	4,067	1,556
Closing number of units	1,408,967	648,973
Operating charges <sup>4</sup>	0.87%	0.91%
Direct transaction costs	0.03%	0.03%
<b>Prices</b>		
Highest unit price	291.40	258.90
Lowest unit price	238.50	236.90

<sup>1</sup> Unit class launched 16th February 2018. The opening net asset value per unit is the Launch Price.

<sup>2</sup> Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution levies that relate to direct transaction costs. A negative transaction cost figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

<sup>3</sup> The return after charges is calculated as the return after operating charges per unit divided by the opening net asset value per unit.

<sup>4</sup> Operating charges, otherwise known as the OCF is the ratio of the sub-fund's total disclosable costs (excluding overdraft interest) to the average net assets of the sub-fund. The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a sub-fund and is calculated based on the last period's figures. Included in the OCF are synthetic costs which include the OCF of the underlying funds weighted on the basis of their investment proportion. For Sarasin Climate Active Endowments Fund, 0.05% of the Operating Charges was made up of synthetic cost.



## Portfolio Statement as at 31st December 2019

Holding or Nominal Value	Investment	Bid Market Value (£)	% of Net Assets
<b>Sterling Government Bonds 5.21% (31 December 2018 - 6.36%)</b>			
£1,610,000	UK Treasury 4.50% 07/12/2042	2,623,176	1.03
£1,400,000	UK Treasury 4.25% 07/12/2049	2,407,706	0.95
£1,290,000	UK Treasury 4.25% 07/03/2036	1,876,571	0.74
£850,000	UK Treasury 4.75% 07/12/2030	1,194,649	0.47
£850,000	UK Treasury 4.25% 07/12/2027	1,083,845	0.43
£750,000	UK Treasury 2.75% 07/09/2024	824,048	0.32
£280,000	UK Treasury Inflation Linked 0.75% 22/11/2047	753,732	0.30
£450,000	UK Treasury 4.25% 07/06/2032	621,902	0.25
£350,000	Affordable Housing Finance 2.893% 11/08/2043	435,435	0.17
£230,000	UK Treasury 4.00% 22/01/2060	430,185	0.17
£200,000	Transport for London 3.875% 23/07/2042	260,167	0.10
£200,000	High Speed Rail Finance 4.375% 01/11/2038	256,032	0.10
£150,000	UK Treasury 3.75% 22/07/2052	247,751	0.10
£200,000	Network Rail Infrastructure Finance 3.00% 07/09/2023	215,102	0.08
£4,002	UK Treasury 3.75% 07/09/2020	4,086	–
		<b>13,234,387</b>	<b>5.21</b>
<b>Sterling Corporate Bonds 4.74% (31 December 2018 - 5.51%)</b>			
£450,000	A2Dominion Housing 3.50% 15/11/2028	482,427	0.19
£300,000	BPCE 5.25% 16/04/2029	369,394	0.15
£250,000	Wellcome Trust Finance 4.625% 25/07/2036	367,794	0.14
£350,000	Places for People Treasury 2.875% 17/08/2026	360,175	0.14
£256,690	Great Rolling 6.875% 27/07/2035	326,905	0.13
£200,000	University of Manchester 4.25% 04/07/2053	319,444	0.13
£243,653	Tesco Property Finance 5.801% 13/10/2040	318,481	0.13
£300,000	Channel Housing Link Enterprises Finance F2F 3.043% 30/06/2050	312,106	0.12
£200,000	Centrica 7.00% 19/09/2033	298,484	0.12
£249,212	Greater Gabbard Ofto 4.137% 29/11/2032	289,041	0.11
£350,000	Dignity Finance 4.696% 31/12/2049	282,414	0.11
£200,000	Scottish Widows 7.00% 16/06/2043	274,698	0.11
£200,000	Eastern Power Networks 8.50% 31/03/2025	265,208	0.10
£200,000	Wales & West Utilities Finance 5.00% 07/03/2028	249,726	0.10
£200,000	Arqiva Financing 5.34% 30/06/2030	241,216	0.09
£200,000	Prudential F2V 5.70% 19/12/2063	240,414	0.09
£200,000	CPUK Finance 7.239% 28/02/2042	240,252	0.09
£150,000	THFC (Funding No 2) 6.35% 08/07/2041	238,558	0.09
£200,000	ENEL Finance International 5.625% 14/08/2024	236,689	0.09
£184,345	UPP Bond 1 Issuer 4.902% 28/02/2040	232,914	0.09
£200,000	Aviva F2F 5.125% 04/06/2050	231,681	0.09
£200,000	Prudential F2V 5.625% 20/10/2051	228,631	0.09
£200,000	Unite (USAF) 3.921% 30/06/2025	221,286	0.09
£200,000	Orange 5.75% Perpetual	220,966	0.09
£200,000	Electricite de France 5.875% Perpetual	218,650	0.09
£200,000	Barclays 6.375% Perpetual	215,842	0.08
£200,000	Bazalgette Finance 2.375% 29/11/2027	210,772	0.08
£200,000	Yorkshire Building Society 3.00% 18/04/2025	206,489	0.08
£200,000	Investec Bank 4.25% 24/07/2028	205,476	0.08
£200,000	Retail Charity Bond 4.25% 30/03/2028	204,000	0.08
£200,000	Barclays 2.375% 06/10/2023	203,548	0.08

## Portfolio Statement as at 31st December 2019 (Continued)

Holding or Nominal Value	Investment	Bid Market Value (£)	% of Net Assets
<b>Sterling Corporate Bonds (continued)</b>			
£200,000	Anglian Water Services Financing 1.625% 10/08/2025	200,967	0.08
£192,417	Prs Finance 1.75% 24/11/2026	199,363	0.08
£200,000	RAC Bond 4.87% 06/05/2046	198,146	0.08
£200,000	Scottish Hydro Electric Transmission PLC 2.25% 27/09/2035	197,869	0.08
£150,000	Royal Bank of Scotland 6.375% 07/12/2028	196,041	0.08
£200,000	London & Quadrant Housing Trust 2.75% 20/07/2057	195,908	0.08
£172,570	WoDS Transmission 3.446% 24/08/2034	193,030	0.08
£164,000	BNP Paribas 3.375% 23/01/2026	178,715	0.07
£150,000	Royal Bank of Scotland 2.875% 19/09/2026	156,198	0.06
£100,000	Electricite de France 5.50% 17/10/2041	145,106	0.06
£100,000	EMH Treasury 4.50% 29/01/2044	134,896	0.05
£100,000	Lloyds Bank 7.625% 22/04/2025	127,422	0.05
£100,000	Lloyds Bank 7.50% 15/04/2024	124,924	0.05
£100,000	Standard Chartered 5.125% 06/06/2034	120,270	0.05
£100,000	Land Securities Capital Markets 5.391% 31/03/2027	118,178	0.05
£110,000	Retail Charity Bond 3.90% 23/11/2029	118,140	0.05
£109,000	HSBC 3.00% 22/07/2028	114,787	0.05
£100,000	Motability Operations 3.75% 16/07/2026	114,671	0.04
£100,000	Wellcome Trust Finance 4.75% 28/05/2021	105,277	0.04
£100,000	University of Southampton 2.25% 11/04/2057	103,286	0.04
£100,000	Retail Charity Bond 4.50% 20/06/2026	102,500	0.04
£100,000	Go-Ahead 2.50% 06/07/2024	101,002	0.04
£100,000	Kreditanstalt fuer Wiederaufbau 1.625% 05/06/2020	100,365	0.04
£100,000	AA Bond 2.875% 31/01/2022	99,220	0.04
£85,419	WoDS Transmission 3.446% 24/08/2034	95,546	0.04
£50,000	Retail Charity Bond 5.00% 29/07/2021	56,250	0.02
£50,000	Retail Charity Bond 4.375% 29/07/2021	51,125	0.02
£50,000	Alpha Plus 5.00% 31/03/2024	46,989	0.02
£30,000	Retail Charity Bond 4.40% 30/04/2025	30,502	0.01
		<b>12,040,374</b>	<b>4.74</b>
<b>Overseas Bonds 2.55% (31 December 2018 - 2.28%)</b>			
£400,000	Orsted 2.50% 16/05/2033	420,251	0.17
£310,000	Dwr Cymru Financing 6.015% 31/03/2028	417,845	0.16
£300,000	Thames Water Utilities Cayman Finance 4.375% 03/07/2034	366,329	0.14
£250,000	Tennessee Valley Authority 5.625% 07/06/2032	359,320	0.14
£350,000	Deutsche Bahn Finance 1.375% 07/07/2025	352,247	0.14
£200,000	AT&T 7.00% 30/04/2040	312,831	0.12
USD400,000	Greenko Solar Mauritius Ltd 5.55% 29/01/2025	307,358	0.12
£300,000	Henkel AG & Co 1.25% 30/09/2026	296,640	0.12
£200,000	E.ON International Finance 5.875% 30/10/2037	292,399	0.11
£200,000	Rabobank Nederland 4.625% 23/05/2029	237,808	0.09
£200,000	Verizon Communications 3.375% 27/10/2036	226,354	0.09
INR20,500,000	International Finance 6.30% 25/11/2024	217,864	0.09
IDR3,780,000,000	Inter-American Development Bank 7.875% 14/03/2023	217,144	0.09
£200,000	European Investment Bank 1.375% 07/03/2025	203,600	0.08
£200,000	Credit Suisse F2F 2.125% 12/09/2025	203,120	0.08
£200,000	International Finance 1.25% 15/12/2023	202,530	0.08
£150,000	Comcast 5.50% 23/11/2029	199,161	0.08

**Portfolio Statement as at 31st December 2019 (Continued)**

Holding or Nominal Value	Investment	Bid Market Value (£)	% of Net Assets
<b>Overseas Bonds (continued)</b>			
£200,000	New York Life Global Funding 1.25% 17/12/2026	198,260	0.08
£170,000	SNCF Reseau 5.50% 01/12/2021	184,419	0.07
€200,000	Enel Finance International 1.125% 17/10/2034	168,541	0.07
USD200,000	Credit Agricole 6.875% Perpetual	166,742	0.07
USD200,000	Credit Suisse Group 6.375% Perpetual	163,222	0.06
USD200,000	Greenko Dutch 5.25% 24/07/2024	153,517	0.06
£100,000	Innogy Finance 6.125% 06/07/2039	152,858	0.06
£100,000	Bank of America 7.00% 31/07/2028	139,990	0.05
£100,000	Telefonica Emisiones 5.445% 08/10/2029	128,186	0.05
£100,000	AA Bond 4.875% 31/07/2043	101,854	0.04
USD70,000	Southern Power 4.15% 01/12/2025	57,489	0.02
IDR700,000,000	European Investment Bank 7.40% 24/01/2022	39,137	0.02
		<b>6,487,016</b>	<b>2.55</b>
<b>UK Equities 20.80% (31 December 2018 - 18.13%)</b>			
593,505	HSBC	3,512,956	1.38
5,340,309	Lloyds Banking	3,337,693	1.31
43,764	AstraZeneca	3,328,690	1.31
903,230	Legal & General	2,736,787	1.08
151,465	GlaxoSmithKline	2,693,957	1.06
53,813	Rio Tinto	2,422,930	0.95
51,914	Unilever	2,258,519	0.89
118,001	Compass	2,230,219	0.88
121,633	Smith & Nephew	2,227,708	0.88
551,415	DS Smith	2,117,985	0.83
145,303	Prudential	2,101,081	0.83
99,890	RELX	1,902,905	0.75
69,129	Associated British Foods	1,795,280	0.71
23,156	London Stock Exchange	1,788,106	0.70
28,599	Reckitt Benckiser	1,752,547	0.69
667,517	Tesco	1,702,168	0.67
219,985	Barratt Developments	1,642,408	0.65
1,370,632	Octopus Renewables Infrastructure Trust	1,466,576	0.58
20,984	InterContinental Hotels	1,092,217	0.43
46,650	Halma	983,382	0.39
653,698	Vodafone	959,367	0.38
86,669	3i	951,626	0.37
76,203	IMI	898,052	0.35
124,586	Howden Joinery	837,716	0.33
749,345	Gresham House Energy Storage	801,799	0.32
21,940	Carnival	798,177	0.31
30,288	WH Smith	785,671	0.31
54,195	Abcam	732,716	0.29
61,330	Softcat	706,522	0.28
104,035	SSP	676,228	0.27
30,809	Fevertree Drinks	642,984	0.25
374,289	Man	591,377	0.23
145,306	M&G	344,375	0.14
		<b>52,820,724</b>	<b>20.80</b>

## Portfolio Statement as at 31st December 2019 (Continued)

Holding or Nominal Value	Investment	Bid Market Value (£)	% of Net Assets
<b>Global Equities 52.87% (31 December 2018 - 48.99%)</b>			
18,742	Apple	4,162,571	1.64
34,554	Microsoft	4,119,588	1.62
27,062	CME	4,110,621	1.62
52,108	Orsted	4,094,163	1.61
21,255	NextEra Energy	3,893,612	1.53
36,666	JPMorgan Chase	3,868,680	1.52
26,449	Ecolab	3,862,927	1.52
20,479	Amgen	3,734,871	1.47
103,058	Service Corp International	3,590,528	1.41
29,033	Marriott International 'A'	3,327,069	1.31
112,128	Pfizer	3,324,197	1.31
74,072	Taiwan Semiconductor Manufacturing ADR	3,258,069	1.28
20,214	Accenture	3,221,324	1.27
57,752	Colgate-Palmolive	3,008,927	1.19
13,368	ASML	2,991,785	1.18
32,969	United Parcel Service	2,921,010	1.15
27,053	Air Liquide	2,898,487	1.14
469,879	Enel	2,824,499	1.11
84,733	Aramark	2,783,378	1.10
63,583	Bank of Nova Scotia	2,707,067	1.07
20,177	Deere & Co	2,645,510	1.04
2,549	Alphabet 'C'	2,577,541	1.02
166,137	Sonic Healthcare	2,533,650	1.00
306,000	AIA	2,433,627	0.96
10,751	Mastercard 'A'	2,427,989	0.96
1,007	Givaudan	2,389,148	0.94
14,696	Credicorp	2,373,010	0.93
30,485	Schneider Electric	2,370,939	0.93
10,557	Costco Wholesale	2,348,291	0.92
48,400	Shionogi & Co	2,283,924	0.90
1,595	Amazon.com	2,230,150	0.88
35,520	Citigroup	2,148,302	0.85
29,312	Novartis	2,109,039	0.83
55,900	Umicore	2,055,946	0.81
65,818	CRH	2,001,525	0.79
7,974	Roche	1,960,545	0.77
17,881	Walt Disney	1,956,771	0.77
51,400	Tencent	1,877,016	0.74
4,689	BlackRock	1,783,446	0.70
62,000	Bridgestone	1,759,650	0.69
7,959	ServiceNow	1,700,860	0.67
18,224	First Republic Bank	1,620,417	0.64
178,215	ING Groep	1,618,723	0.64
10,070	Alibaba ADR	1,617,040	0.64
27,878	Fresenius Medical Care	1,557,774	0.61
791,400	Samsonite International	1,437,316	0.57
588,800	BDO Unibank	1,389,771	0.55
5,669	Broadcom	1,355,727	0.53
9,182	Union Pacific	1,256,104	0.49

**Portfolio Statement as at 31st December 2019 (Continued)**

Holding or Nominal Value	Investment	Bid Market Value (£)	% of Net Assets
<b>Global Equities (continued)</b>			
450,813	Oakley Capital Investments	1,194,655	0.47
651	Booking	1,011,965	0.40
8,472	EssilorLuxottica	977,910	0.39
20,919	Activision Blizzard	940,872	0.37
7,583	Unibail-Rodamco-Westfield	906,232	0.36
4,663	Moody's	837,780	0.33
22,556	Deutsche Wohnen	698,448	0.28
3,567	SVB Financial	677,889	0.27
19,277	Cinemark	493,855	0.19
169	MSCI World Put Option 6500 23/03/2020 <sup>1</sup>	62,308	0.02
(5)	Taiwan Semiconductor Manufacturing Call Option 50 17/01/2020 <sup>1</sup>	(2,990)	–
(169)	MSCI World Put Option 5800 23/03/2020 <sup>1</sup>	(18,296)	(0.01)
(91)	Union Pacific Call Option 175 17/01/2020 <sup>1</sup>	(48,569)	(0.02)
		<b>134,255,183</b>	<b>52.87</b>
<b>UK Property 2.61% (31 December 2018 - 2.66%)</b>			
2,220,568	Mayfair Property Income Trust for Charities	1,916,794	0.76
1,505,856	Charities Property Fund	1,909,877	0.75
993,426	COIF Charities Property	1,173,435	0.46
678,775	AEW UK Core Property	905,689	0.36
789,786	Civitas Social Housing	720,285	0.28
		<b>6,626,080</b>	<b>2.61</b>
<b>Global Property 3.55% (31 December 2018 - 4.79%)</b>			
275,471	Sarasin IE Global Real Estate Equity 'I' GBP Income <sup>2</sup>	5,006,410	1.97
5,421	Equinix	2,392,356	0.95
14,901	Crown Castle International	1,603,022	0.63
		<b>9,001,788</b>	<b>3.55</b>
<b>Alternatives 1.90% (31 December 2018 - 5.01%)</b>			
275,921	Neuberger Berman Uncorrelated Strategies 'IS' GBP Accumulation	2,844,749	1.12
473,629	International Public Partnerships	790,013	0.31
582,612	Sequoia Economic Infrastructure Income	678,160	0.27
453,582	US Solar Fund	357,124	0.14
176,076	SQN Asset Finance Income	145,087	0.06
		<b>4,815,133</b>	<b>1.90</b>
<b>Global Collective Investment Schemes 1.78% (31 December 2018 - 1.60%)</b>			
34,379	Source Physical Gold	3,844,441	1.52
5,032	Ashmore SICAV Emerging Markets Short Duration 'Z' Income	441,575	0.17
22,289	Neuberger Berman Emerging Market Debt	228,903	0.09
		<b>4,514,919</b>	<b>1.78</b>
<b>Forward Currency Contracts -0.03% (31 December 2018 - 0.16%)</b>			
USD (65,815,566)	Sold USD, Bought GBP 49,756,994 for settlement on 19/03/2020	35,205	0.01
USD (4,400,000)	Sold USD, Bought GBP 3,356,063 for settlement on 19/03/2020	31,988	0.01
JPY (369,060,000)	Sold JPY, Bought GBP 2,562,152 for settlement on 19/03/2020	(17,240)	(0.01)
CHF (3,288,000)	Sold CHF, Bought GBP 2,543,907 for settlement on 19/03/2020	(39,133)	(0.01)

**Portfolio Statement as at 31st December 2019 (Continued)**

Holding or Nominal Value	Investment	Bid Market Value (£)	% of Net Assets
	<b>Forward Currency Contracts (continued)</b>		
EUR (17,882,997)	Sold EUR, Bought GBP 15,156,376 for settlement on 19/03/2020	(84,812) <b>(73,992)</b>	(0.03) <b>(0.03)</b>
	<b>Total Value of Investments 95.98%</b>		
	<b>(31 December 2018 - 95.49%)</b>	<b>243,721,612</b>	<b>95.98</b>
	Net Other Assets	10,200,936	4.02
	<b>Net Assets</b>	<b>253,922,548</b>	<b>100.00</b>

Securities are admitted to an official stock exchange listing or traded on another regulated market unless otherwise stated.

<sup>1</sup>Derivative Instruments

<sup>2</sup>Related Party Investments

Asset Allocation of Portfolio of Investments is as follows:

Bonds	31,761,777	12.51
Collective Investment Schemes	18,271,873	7.20
Derivatives	(7,547)	-
Equities	193,769,501	76.30
Forward Currency Contracts	(73,992)	(0.03)
Net Other Assets	10,200,936	4.02
	<b>253,922,548</b>	<b>100.00</b>

Debt Security Allocation is as follows:

Percentage of Debt Securities investment grade and above	93.86%
Percentage of Debt Securities below investment grade (sub BBB- or unrated)	6.14%
	<b>100.00%</b>

**Statement of Total Return**  
**For the year ended 31st December 2019**

	Notes	£	01.01.2019 to 31.12.2019 £	£	16.02.2018 to 31.12.2018 <sup>1</sup> £
Income					
Net capital gains/(losses)	2		32,884,452		(7,908,269)
Revenue	3	6,190,562		3,327,213	
Expenses	4	(1,665,578)		(901,369)	
Interest payable and similar charges	6	(687)		(747)	
<b>Net revenue before taxation</b>		<b>4,524,297</b>		<b>2,425,097</b>	
Taxation	5	(361,438)		(174,189)	
<b>Net revenue after taxation for the year</b>			<b>4,162,859</b>		<b>2,250,908</b>
<b>Total return before distributions</b>			<b>37,047,311</b>		<b>(5,657,361)</b>
Distributions	6		(6,346,203)		(1,442,370)
<b>Changes in net assets attributable to unitholders from investment activities</b>			<b>30,701,108</b>		<b>(7,099,731)</b>

**Statement of Changes in Net Assets Attributable to Unitholders**  
**For the year ended 31st December 2019**

		£	01.01.2019 to 31.12.2019 £	£	16.02.2018 to 31.12.2018 <sup>1</sup> £
<b>Opening net assets attributable to unitholders</b>			<b>168,012,015</b>		<b>–</b>
Movement due to sales and repurchases of units:					
Amounts received on issue of units		60,455,730		100,209,861	
Amounts received on in-specie transactions		–		84,683,766	
Amounts paid on cancellation of units		(5,354,925)		(9,796,418)	
			<b>55,100,805</b>		<b>175,097,209</b>
Changes in net assets attributable to unitholders from investment activities (see above)			30,701,108		(7,099,731)
Retained distribution on accumulation units			108,620		14,537
<b>Closing net assets attributable to unitholders</b>			<b>253,922,548</b>		<b>168,012,015</b>

The notes on pages 95 to 107 form part of these Financial Statements.

<sup>1</sup>Sub-fund launched 16th February 2018.

**Balance Sheet**  
**As at 31st December 2019**

	Notes	31.12.2019 £	31.12.2018 <sup>1</sup> £
<b>Assets</b>			
<b>Fixed assets:</b>			
Investments		243,932,652	160,556,132
<b>Current assets:</b>			
Debtors	8	701,846	529,357
Cash and bank balances	9	11,797,665	8,775,496
Total assets		256,432,163	169,860,985
<b>Investment liabilities</b>			
		(211,040)	(122,008)
<b>Creditors:</b>			
Bank overdrafts	9	(44,403)	(46,791)
Distribution payable on income units		(2,080,064)	(1,563,213)
Other creditors	10	(174,108)	(116,958)
Total liabilities		(2,509,615)	(1,848,970)
<b>Net assets attributable to unitholders</b>		<b>253,922,548</b>	<b>168,012,015</b>

The notes on pages 95 to 107 form part of these Financial Statements.

<sup>1</sup>Sub-fund launched on 16th February 2018.

**Certification of Accounts by Directors**

The Directors are of the opinion that it is appropriate to adopt the going concern basis in the preparation of the Financial Statements as the assets of the Sub-fund consist predominantly of securities that are readily realisable and, accordingly, the Sub-fund has adequate resources to continue in operational existence for at least the next twelve months from the approval of these financial statements.

G. V. Matthews  
 Director  
 Sarasin Investment Funds Limited  
 29 June 2020

S. A. M. Jeffries  
 Director  
 Sarasin Investment Funds Limited  
 29 June 2020



# Notes

## Notes to the financial statements For the year ended 31st December 2019

### 1. Accounting Policies

The accounting policies for this sub-fund match those found on pages 16 to 18.

### 2. Net Capital Gains/(Losses)

	01.01.2019 to 31.12.2019 £	16.02.2018 to 31.12.2018 £
Net capital gains/(losses) comprise:		
Non-derivative securities realised gains	2,233,773	653,280
Non-derivative securities unrealised gains/(losses)	29,301,266	(5,840,823)
Derivative securities realised gains	216,885	82,211
Derivative securities unrealised (losses)/gains	(261,235)	18,827
Forward currency contracts realised gains/(losses)	2,382,443	(2,083,649)
Forward currency contracts unrealised (losses)/gains	(336,761)	262,769
Currency losses	(656,004)	(1,005,143)
Management fee rebates	4,449	4,397
Transaction charges	(364)	(138)
	<b>32,884,452</b>	<b>(7,908,269)</b>

### 3. Revenue

	01.01.2019 to 31.12.2019 £	16.02.2018 to 31.12.2018 £
UK dividends	1,584,402	850,933
Overseas dividends	2,897,694	1,484,815
Bank Interest	1,023	165
Interest on debt securities	715,528	389,633
Unfranked PID <sup>1</sup> revenue	36,873	5,202
Franked PID <sup>1</sup> revenue	(5,116)	14,521
Option premium	611,211	337,512
Franked CIS <sup>2</sup> revenue	12,158	50,039
Unfranked CIS <sup>2</sup> revenue	177,393	115,751
Offshore dividend CIS <sup>2</sup> revenue	141,753	45,424
Offshore interest CIS <sup>2</sup> revenue	17,643	33,218
	<b>6,190,562</b>	<b>3,327,213</b>

<sup>1</sup>Property Income Dividend

<sup>2</sup>Collective Investment Scheme

#### 4. Expenses

	01.01.2019 to 31.12.2019 £	16.02.2018 to 31.12.2018 £
<b>Payable to the Manager, associates of the Manager, and agents of either of them:</b>		
Management fees	1,510,891	794,648
	<b>1,510,891</b>	<b>794,648</b>
<b>Payable to the Trustee, associates of the Trustee, and agents of either of them:</b>	-	-
<b>Other Expenses</b>		
Fixed operating charge <sup>1</sup>	152,187	82,410
Set-up costs	-	24,311
Professional fees	2,500	-
	<b>154,687</b>	<b>106,721</b>
<b>Total Expenses</b>	<b>1,665,578</b>	<b>901,369</b>

<sup>1</sup> The Audit fee for 31st December 2019 was £7,250 plus VAT (31st December 2018: £7,018 plus VAT).

#### 5. Taxation

	01.01.2019 to 31.12.2019 £	16.02.2018 to 31.12.2018 £
a) Analysis of tax charge in year		
Overseas tax	361,438	174,189
<b>Total tax for the year</b>	<b>361,438</b>	<b>174,189</b>

b) As the Trust is a Charity Authorised Investment Fund, it is exempt from United Kingdom tax on capital gains realised on the disposal of investments held within the sub-fund and any UK corporation tax.

The sub-fund is also excluded from the normal tax rules which apply to revenue allocations to units and payments on redemption of units made to unitholders in an authorised unit trust scheme. For the purposes of the sub-fund, revenue of the sub-fund is not considered to be dividends in the hands of the unitholders and therefore no income tax is payable in respect of the revenue allocated to each unit.

In addition, any gains on the redemption of units in the sub-fund are not to be treated as chargeable gains for Capital Gains Tax purposes and therefore no Capital Gains Tax is payable on redemption of units.

## 6. Distribution

The distributions take account of revenue received on the creation of units and revenue deducted on the cancellation of units, and comprise:

	01.01.2019 to 31.12.2019 £	16.02.2018 to 31.12.2018 £
First interim	1,388,145	670,442
Second interim	1,739,602	984,738
Third interim	1,824,967	1,239,554
Final	2,113,638	1,577,687
	<b>7,066,352</b>	<b>4,472,421</b>
Add: Revenue deducted on cancellation of units	73,143	171,177
Deduct: Revenue received on creation of units	(793,292)	(1,741,564)
Deduct: Reserve transferred from predecessor fund	–	(1,459,664)
<b>Net distributions for the year</b>	<b>6,346,203</b>	<b>1,442,370</b>
Interest payable and similar charges	687	747
	<b>6,346,890</b>	<b>1,443,117</b>

## 7. Movement between Net Revenue and Distribution

	01.01.2019 to 31.12.2019 £	16.02.2018 to 31.12.2018 £
Net revenue after tax	4,162,859	2,250,908
Add: Undistributed revenue Reserve brought forward	1,889,181	–
Less: Equalisation uplift on unit Conversion	(4)	–
Less: Undistributed revenue Reserve carried forward	(1,675,071)	(1,889,181)
Add: Benefit of coupon basis distribution	303,661	179,274
Add: Expenses payable from capital	1,665,577	901,369
<b>Net Distribution for the year</b>	<b>6,346,203</b>	<b>1,442,370</b>

## 8. Debtors

	31.12.2019 £	31.12.2018 £
Amounts receivable for creation of units	38,000	–
Sales awaiting settlement	226	–
Accrued revenue	560,498	493,240
Overseas tax recoverable	99,372	34,948
Property income distribution tax recoverable	2,263	–
Fee rebate receivable	1,487	1,169
	<b>701,846</b>	<b>529,357</b>

**9. Cash and Bank Balances**

	31.12.2019	31.12.2018
	£	£
Cash and bank balances	11,491,608	8,459,900
Cash held at clearing houses	306,057	315,596
	<b>11,797,665</b>	<b>8,775,496</b>
Bank overdrafts	(44,311)	(46,791)
Cash due to clearing houses	(92)	–
	<b>11,753,262</b>	<b>8,728,705</b>

**10. Other Creditors**

	31.12.2019	31.12.2018
	£	£
Accrued expenses	174,108	116,958
	<b>174,108</b>	<b>116,958</b>

**11. Contingent Assets/(Liabilities)**

The sub-fund had no contingent asset or liability as at 31st December 2019 (31st December 2018: same).

**12. Equalisation**

Equalisation is not applied to distributions paid by the sub-fund.

**13. Units in Issue**

The sub-fund currently has two unit classes: Income and Accumulation. The annual management charge on each unit class can be found on page 84. The net asset value of each unit class, the net asset value per unit and the number of units in each class are given in the comparative tables on pages 85 and 86. The distribution per unit class is given in the distribution tables on pages 108 and 109. All classes have the same rights on winding up and have no par value.

	<b>Income Units</b>	<b>Accumulation Units</b>
Opening units	171,781,634	648,973
Units created	53,877,559	1,037,901
Units liquidated	(5,075,933)	(1,000)
Units converted	700,149	(276,907)
Closing units	221,283,409	1,408,967

**14. Related Parties**

Sarasin & Partners LLP and Sarasin Investment Funds Limited, together with NatWest Trustee and Depositary Services Limited as Corporate Trustee, are deemed to be Related Parties, by virtue of their ability to act in respect of the sub-fund's operations.

Sarasin & Partners LLP acts as principal on all transactions of units in the sub-fund. The aggregate monies received through creations and liquidations are disclosed in the statement of change in net assets attributable to unitholders.

Management fees are paid to Sarasin Investment Funds Limited and are shown in note 4.

**14. Related Parties (continued)**

Amount due to Related Parties at the year end:

	31.12.2019	31.12.2018
	£	£
Management fees	158,717	105,822
	<b>158,717</b>	<b>105,822</b>

At 31st December 2019, the sub-fund held units in the following Collective Investment Schemes, managed by associated companies of Sarasin Investment Funds Limited:

		31.12.2019
		£
Sarasin IE Global Real Estate Equity 'I' GBP Income	Units	275,471
	Bid Market Value (£)	5,006,410

At 31st December 2018, the sub-fund held units in the following Collective Investment Schemes, managed by associated companies of Sarasin Investment Funds Limited:

		31.12.2018
		£
Sarasin IE Global Real Estate Equity 'I' GBP Income	Units	286,893
	Bid Market Value (£)	4,795,408

No initial charges were applied to the purchases of these Collective Investment Schemes.

At the year end, BNY (OCS) Nominees Limited owned 25.40% units in the sub-fund on behalf of multiple beneficiaries (31st December 2018: 31.68%). The St. Hilda's College owned below the 25% threshold in the sub-fund on behalf of multiple beneficiaries (31st December 2018: 27.86%).

**15. Risk Management Policies and Disclosures****Financial Instruments**

In pursuing its investment objectives as stated on page 80, the sub-fund holds a number of financial instruments. The sub-fund's financial instruments, other than derivatives, comprise securities and other investments, cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for redemptions and debtors for accrued revenue.

The main risks arising from the sub-fund's financial instruments and the Operator's policies for managing these risks are summarised below, a sensitivity analysis of the sub-fund is provided on page 83. These policies have been applied throughout the year.

**Market Price Risk**

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

Adherence to investment guidelines and to investment and borrowing powers set out in The Charities (Accounts and Reports) Regulations 2008 mitigates the risk of excessive exposure to any particular type of security or issuer.

## 15. Risk Management Policies and Disclosures (continued)

### Derivative Risk

Derivatives are comprised of forward foreign currency contracts, futures and options contracts. Forward foreign currency contracts are used to manage currency risk arising from the sub-fund's investment activities (and related financing). Open positions at the balance sheet date, which are all covered, are included in the portfolio statement. Gains/(losses) on forward foreign exchange transactions are taken to capital. Futures contracts are used to reduce the risks associated with the market risk of the equity portfolio and to align the sub-fund's exposures to market movements with that of the sub-fund's benchmarks.

The sub-fund is able to use traded options for Efficient Portfolio Management purposes only, thus always hedging up to the amount of stock which is physically owned. The purpose of undertaking these contracts is to protect the Portfolio from a downturn in the market as far as possible.

### Currency Risk

Currency risk is the risk that the value of the sub-fund's investment holdings will fluctuate as a result of changes in foreign currency exchange rates.

A proportion of the sub-fund's investment portfolios are invested in overseas securities and the balance sheet can be affected by movements in foreign exchange rates. The Operator may seek to manage exposure to currency movements by using forward exchange contracts or by hedging the sterling value of investments that are priced in other currencies. Revenue received in other currencies is converted to sterling on or near the date of receipt.

Currency exposure as at 31st December 2019

	Monetary Exposure £	Non-Monetary Exposure £	Total £	%
Australian dollar	–	2,533,650	2,533,650	1.00
Canadian dollar	1,090	2,707,067	2,708,157	1.07
Danish kroner	5,236	4,094,164	4,099,400	1.61
Euro	48,335	3,828,097	3,876,432	1.53
Hong Kong dollar	–	5,747,960	5,747,960	2.26
Indian rupee	–	217,864	217,864	0.08
Indonesian rupiah	–	256,281	256,281	0.10
Japanese yen	–	1,464,183	1,464,183	0.58
Philippine peso	1,848	1,389,771	1,391,619	0.55
Swiss franc	44,711	3,875,691	3,920,402	1.54
US dollar	49,384	41,182,748	41,232,132	16.24
	<b>150,604</b>	<b>67,297,476</b>	<b>67,448,080</b>	<b>26.56</b>
Sterling	10,050,332	176,424,136	186,474,468	73.44
	<b>10,200,936</b>	<b>243,721,612</b>	<b>253,922,548</b>	<b>100.00</b>

**15. Risk Management Policies and Disclosures (continued)**

Currency exposure as at 31st December 2018

	Monetary Exposure £	Non-Monetary Exposure £	Total £	%
Australian dollar	–	2,057,566	2,057,566	1.22
Canadian dollar	1,078	1,884,606	1,885,684	1.12
Danish kroner	–	1,925,266	1,925,266	1.15
Euro	19,361	7,441,740	7,461,101	4.44
Hong Kong dollar	–	3,024,621	3,024,621	1.80
Indian rupee	–	228,097	228,097	0.14
Indonesian rupiah	–	205,632	205,632	0.12
Japanese yen	–	596,287	596,287	0.36
Philippine peso	2,413	1,500,767	1,503,180	0.89
Swedish krona	–	1,743,927	1,743,927	1.04
Swiss franc	13,469	2,256,845	2,270,314	1.35
US dollar	23,045	21,543,279	21,566,324	12.84
	<b>59,366</b>	<b>44,408,633</b>	<b>44,467,999</b>	<b>26.47</b>
Sterling	7,518,525	116,025,491	123,544,016	73.53
	<b>7,577,891</b>	<b>160,434,124</b>	<b>168,012,015</b>	<b>100.00</b>

**Credit Risk**

Certain transactions in securities that the sub-fund enters into exposes it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the sub-fund has fulfilled its responsibilities. The sub-fund only buys and sells investments through brokers which have been approved by the Operator as an acceptable counterparty. In addition, limits are set to the exposure to any individual broker that may exist at any time and changes in brokers' financial ratings are reviewed. Bonds or other debt securities involve credit risk to the issuer which may be evidenced by the issuer's credit rating. Securities which are subordinated and/or have a lower credit rating are generally considered to have a higher credit risk and a greater possibility of default than more highly rated securities.

This risk is managed by appraising the credit profile of financial instruments and issuers in line with the sub-fund's investment objective and policy.

Exposure to counterparties through derivative positions and the collateral held at the balance sheet date can be seen on page 105.

**Liquidity Risk**

The sub-fund's assets comprise mainly of readily realisable securities. The main liability of the sub-fund is the redemption of any units over and above the cash holdings that investors wish to sell. Assets of the sub-fund may need to be sold if insufficient cash is available to finance such redemptions.

As the sub-fund has significant holdings in readily realisable level 1 and level 2 securities, it is expected that the sub-fund will be able to generate sufficient cash flows to settle these obligations when they arise.

## 15. Risk Management Policies and Disclosures (continued)

### Interest Rate Risk

Interest rate risk is the risk that the value of the sub-fund's investment holdings will fluctuate as a result of changes in interest rates. The sub-fund invests in fixed and floating rate securities. The revenue of the sub-fund may be affected by changes to interest rates relevant to particular securities or as a result of the Operator being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movements in the future. Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates.

Interest Rate Risk Profile of the sub-fund's Assets and Liabilities:

	Floating Rate Financial Assets	Fixed Rate Financial Assets	Financial Assets not carrying interest	Total
	£	£	£	£
<b>31st December 2019</b>				
Australian dollar	–	–	2,533,650	2,533,650
Canadian dollar	–	–	2,708,157	2,708,157
Danish kroner	–	–	4,099,400	4,099,400
Euro	44,311	168,541	18,949,079	19,161,931
Hong Kong dollar	–	–	5,747,960	5,747,960
Indian rupee	–	217,864	–	217,864
Indonesian rupiah	–	256,281	–	256,281
Japanese yen	–	–	4,043,574	4,043,574
Philippine peso	1,848	–	1,389,771	1,391,619
Sterling	14,578,114	27,394,677	146,755,847	188,728,638
Swiss franc	–	–	6,503,443	6,503,443
US dollar	379,441	518,363	93,450,140	94,347,944
	<b>15,003,714</b>	<b>28,555,726</b>	<b>286,181,022</b>	<b>329,740,462</b>

	Floating Rate Financial Liabilities	Fixed Rate Financial Liabilities	Financial Liabilities not carrying interest	Total
	£	£	£	£
<b>31st December 2019</b>				
Euro	44,311	–	15,241,188	15,285,499
Japanese yen	–	–	2,579,391	2,579,391
Sterling	–	–	2,254,172	2,254,172
Swiss franc	–	–	2,583,041	2,583,041
US dollar	92	–	53,115,719	53,115,811
	<b>44,403</b>	<b>–</b>	<b>75,773,511</b>	<b>75,817,914</b>



**15. Risk Management Policies and Disclosures (continued)**

Interest Rate Risk Profile of the sub-fund's Assets and Liabilities:

	Floating Rate Financial Assets	Fixed Rate Financial Assets	Financial Assets not carrying interest	Total
	£	£	£	£
<b>31st December 2018</b>				
Australian dollar	–	–	2,057,566	2,057,566
Canadian dollar	–	–	1,885,684	1,885,684
Danish kroner	–	–	1,925,266	1,925,266
Euro	46,791	–	12,433,597	12,480,388
Hong Kong dollar	–	–	3,024,621	3,024,621
Indian rupee	–	228,097	–	228,097
Indonesian rupiah	–	205,632	–	205,632
Japanese yen	–	–	3,243,687	3,243,687
Philippine peso	2,413	–	1,500,767	1,503,180
Sterling	10,321,960	21,527,171	95,894,265	127,743,396
Swedish krona	–	–	1,743,927	1,743,927
Swiss franc	–	–	4,897,936	4,897,936
US dollar	23,045	195,208	55,542,588	55,760,841
	<b>10,394,209</b>	<b>22,156,108</b>	<b>184,149,904</b>	<b>216,700,221</b>
	Floating Rate Financial Liabilities	Fixed Rate Financial Liabilities	Financial Liabilities not carrying interest	Total
	£	£	£	£
<b>31st December 2018</b>				
Euro	46,791	–	4,972,496	5,019,287
Japanese yen	–	–	2,647,400	2,647,400
Sterling	–	–	4,199,380	4,199,380
Swiss franc	–	–	2,627,622	2,627,622
US dollar	–	–	34,194,517	34,194,517
	<b>46,791</b>	<b>–</b>	<b>48,641,415</b>	<b>48,688,206</b>

## 15. Risk Management Policies and Disclosures (continued)

### Fair Value of Financial Assets and Liabilities

The fair value of a financial instrument is the amount for which it could be exchanged between knowledgeable, willing parties in an arm's length transaction. There is no significant difference between the value of the financial assets and liabilities, as shown in the financial statements, and their fair value.

#### Valuation technique as at 31st December 2019

	Level 1 £	Level 2 £	Level 3 £	Total £
<b>Financial Assets</b>				
Collective Investment Schemes	–	18,271,873	–	18,271,873
Debt Securities	12,067,651	19,694,126	–	31,761,777
Equities	193,769,501	–	–	193,769,501
Forward Currency Contracts	–	67,193	–	67,193
Options	62,308	–	–	62,308
	<b>205,899,460</b>	<b>38,033,192</b>	<b>–</b>	<b>243,932,652</b>
<b>Financial Liabilities</b>				
Forward Currency Contracts	–	(141,185)	–	(141,185)
Options	(69,855)	–	–	(69,855)
	<b>(69,855)</b>	<b>(141,185)</b>	<b>–</b>	<b>(211,040)</b>

#### Valuation technique as at 31st December 2018

	Level 1 £	Level 2 £	Level 3 £	Total £
<b>Financial Assets</b>				
Collective Investment Schemes	638,775	15,791,314	–	16,430,089
Debt Securities	9,834,272	13,940,550	–	23,774,822
Equities	120,019,928	–	–	120,019,928
Forward Currency Contracts	–	331,293	–	331,293
	<b>130,492,975</b>	<b>30,063,157</b>	<b>–</b>	<b>160,556,132</b>
<b>Financial Liabilities</b>				
Forward Currency Contracts	–	(68,525)	–	(68,525)
Options	(53,483)	–	–	(53,483)
	<b>(53,483)</b>	<b>(68,525)</b>	<b>–</b>	<b>(122,008)</b>

#### Level 1

The unadjusted quoted price in an active market for identical instruments that the entity can access at the measurement date.

#### Level 2

Valuation techniques using observable Inputs other than quoted prices within Level 1 (i.e., developed using market data).

#### Level 3

Valuation techniques using unobservable Inputs (i.e., for which market data is unavailable).

The valuation technique has been disclosed under note 1m Accounting Policies on page 17.

**15. Risk Management Policies and Disclosures (continued)****Counterparty Risk**

During the year, the sub-fund made use of 'Over The Counter' (OTC) Derivative Instruments. These types of transactions introduce counterparty risk, where a counterparty may fail to meet its financial commitments.

In order to reduce this risk, collateral may be held by the sub-fund. The counterparties to these transactions and any collateral held by the sub-fund at the balance sheet date are shown below:

<b>Counterparty Name as at 31st December 2019</b>	<b>Exposure £</b>	<b>Cash Collateral £</b>
Eurex	62,308	–
The Bank of New York Mellon	67,193	580,000
<b>Counterparty Name as at 31st December 2018</b>	<b>Exposure £</b>	<b>Cash Collateral £</b>
The Bank of New York Mellon	331,293	–

Positive exposure represents the mark to market value of derivative contracts and the sub-fund's exposure to that counterparty.

**16. Portfolio Transaction Costs**

	01.01.2019 to 31.12.2019 £	16.02.2018 to 31.12.2018 £
Analysis of total purchase costs:		
Purchases in year before transaction costs		
Bonds	13,894,971	26,010,348
Collective Investment Schemes	4,990,385	14,243,363
Corporate Actions	3,546,154	2,075,188
Derivatives	1,310,455	674,462
Equities	84,142,463	145,799,377
<b>Total purchases</b>	<b>107,884,428</b>	<b>188,802,738</b>
Commissions:		
Equities total value paid	38,851	29,685
Taxes:		
Equities total value paid	744	6,499
<b>Total purchase costs</b>	<b>39,595</b>	<b>36,184</b>
<b>Gross purchase costs</b>	<b>107,924,023</b>	<b>188,838,922</b>
Analysis of total sale costs:		
Gross sales in year before transaction costs		
Bonds	7,129,466	1,866,720
Collective Investment Schemes	4,561,492	221,069
Corporate Actions	3,546,154	2,075,188
Derivatives	853,663	660,993
Equities	38,682,777	18,365,750
<b>Total sales</b>	<b>54,773,552</b>	<b>23,189,720</b>
Commissions:		
Equities total value paid	(18,609)	(7,168)
Taxes:		
Equities total value paid	(5)	(3)
<b>Total sales costs</b>	<b>(18,614)</b>	<b>(7,171)</b>
<b>Total sales net of transaction costs</b>	<b>54,754,938</b>	<b>23,182,549</b>

**16. Portfolio Transaction Costs (continued)**

	01.01.2019 to 31.12.2019 %	16.02.2018 to 31.12.2018 %
Analysis of total purchase costs:		
Commissions:		
Equities percentage of average NAV <sup>1</sup>	0.02	0.02
Taxes:		
Equities percentage of average NAV <sup>1</sup>	–	0.01
Analysis of total sale costs:		
Commissions:		
Equities percentage of average NAV <sup>1</sup>	0.01	0.01
Taxes:		
Equities percentage of average NAV <sup>1</sup>	–	–

The average portfolio dealing spread as at 31st December 2019 was 0.21% (31st December 2018: 0.20%).

<sup>1</sup>Excluding single swing price adjustment.

**17. Post Balance Sheet Events****COVID-19**

The impact of the COVID-19 pandemic is disclosed in the Report of the Operator. The event has resulted in increased volatility and uncertainty in all global financial markets. It is an unprecedented event and the eventual impact on the global economy and markets will largely depend on the scale and duration of the outbreak. Since the year end, the performance of the sub-fund to 17 June 2020 has been -0.2% on an absolute basis and +1.8% on a relative basis. Subscriptions to the sub-fund from year end to 5 June 2020 were +£19.7m and redemptions were -£12.3m for the same period. No material net redemption activity is attributed to systemic factors related to market shocks post COVID-19. The Board of Directors of the Operator will continue to monitor this situation.

The following changes to performance targets and asset allocations have been implemented effective 1st February 2020. The CPI+ performance target has changed from 4.5% to 4%. The index used to benchmark UK equities has changed from FTSE All-Share Index (5% Capped) to MSCI UK IMI. Several changes have been made to the weighted asset allocations of the strategic benchmarks.

# Distribution Tables

For the year ended 31st December 2019

## First Interim distribution in pence per unit

Group 1: Units purchased prior to 1st January 2019

Group 2: Units purchased between 1st January 2019 and 31st March 2019

Unit	Net Revenue 2019 Pence per Unit	Equalisation (note 12) 2019 Pence per Unit	1st Interim Distribution Paid 2019 Pence per Unit	1st Interim Distribution Paid 2018 Pence per Unit
<b>Income Units</b>				
Group 1	0.7700	–	0.7700	0.7350
Group 2	0.7700	–	0.7700	0.7350
<b>Accumulation Units</b>				
Group 1	1.9049	–	1.9049	1.7580
Group 2	1.9049	–	1.9049	1.7580

## Second Interim distribution in pence per unit

Group 1: Units purchased prior to 1st April 2019

Group 2: Units purchased between 1st April 2019 and 30th June 2019

Unit	Net Revenue 2019 Pence per Unit	Equalisation (note 12) 2019 Pence per Unit	2nd Interim Distribution Paid 2019 Pence per Unit	2nd Interim Distribution Paid 2018 Pence per Unit
<b>Income Units</b>				
Group 1	0.9600	–	0.9600	0.9600
Group 2	0.9600	–	0.9600	0.9600
<b>Accumulation Units</b>				
Group 1	2.3928	–	2.3928	2.3134
Group 2	2.3928	–	2.3928	2.3134

**Third Interim distribution in pence per unit**

Group 1: Units purchased prior to 1st July 2019

Group 2: Units purchased between 1st July 2019 and 30th September 2019

<b>Unit</b>	<b>Net Revenue 2019 Pence per Unit</b>	<b>Equalisation (note 12) 2019 Pence per Unit</b>	<b>3rd Interim Distribution Paid 2019 Pence per Unit</b>	<b>3rd Interim Distribution Paid 2018 Pence per Unit</b>
<b>Income Units</b>				
Group 1	0.8800	–	0.8800	0.8100
Group 2	0.8800	–	0.8800	0.8100
<b>Accumulation Units</b>				
Group 1	2.2131	–	2.2131	1.9701
Group 2	2.2131	–	2.2131	1.9701

**Final distribution in pence per unit**

Group 1: Units purchased prior to 1st October 2019

Group 2: Units purchased between 1st October 2019 and 31st December 2019

<b>Unit</b>	<b>Net Revenue 2019 Pence per Unit</b>	<b>Equalisation (note 12) 2019 Pence per Unit</b>	<b>Final Distribution Paid 2020 Pence per Unit</b>	<b>Final Distribution Paid 2019 Pence per Unit</b>
<b>Income Units</b>				
Group 1	0.9400	–	0.9400	0.9100
Group 2	0.9400	–	0.9400	0.9100
<b>Accumulation Units</b>				
Group 1	2.3829	–	2.3829	2.2303
Group 2	2.3829	–	2.3829	2.2303

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