

Morgan Stanley
Funds (UK)



Annual Report

30 September 2016

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Morgan Stanley Funds (UK) (the “Company”)

The Company is an investment company with variable capital (“ICVC”), also known as an Open Ended Investment Company (“OEIC”). The Company is incorporated in England and Wales, and is authorised by the Financial Conduct Authority (“FCA”). The company is an Undertakings for Collective Investment in Transferable Securities (“UCITS”) Scheme and is structured as an umbrella company with four sub-funds (“Funds”), each with a different investment objective.

Directory

REGISTERED OFFICE

25 Cabot Square
Canary Wharf
London
E14 4QA
United Kingdom

AUTHORISED CORPORATE DIRECTOR

Morgan Stanley Investment Management (ACD) Limited

25 Cabot Square
Canary Wharf
London
E14 4QA
United Kingdom
Authorised and regulated by The FCA

REGISTRAR

International Financial Data Services Limited

PO Box 9025
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CM99 2WE
United Kingdom

INVESTMENT MANAGER

Morgan Stanley Investment Management Limited

25 Cabot Square
Canary Wharf
London
E14 4QA
United Kingdom
Authorised and regulated by The FCA

SUB-INVESTMENT MANAGER

Morgan Stanley Investment Management Inc.

522 Fifth Avenue
New York
NY 10036
United States of America

ADMINISTRATOR

State Street Bank and Trust Company

20 Churchill Place
London
E14 5HJ
United Kingdom

DEPOSITARY

State Street Trustees Limited

525 Ferry Road
Edinburgh
EH5 2AW
United Kingdom
Authorised and regulated by The FCA

INDEPENDENT AUDITORS

Ernst & Young LLP

Ten George Street
Edinburgh
EH2 2DZ
United Kingdom

LEGAL ADVISERS

Eversheds LLP

One Wood Street
London
EC2V 7WS
United Kingdom

Report of the Authorised Corporate Director of Morgan Stanley Funds (UK) (the “Company”)

For the year ended 30 September 2016

The Authorised Corporate Director (“ACD”) of the Company is Morgan Stanley Investment Management (ACD) Limited. The ACD is the sole director of the Company. The Depositary is State Street Trustees Limited and the Independent Auditors are Ernst & Young LLP.

The Company is an authorised open-ended investment company with variable capital under Regulation 12 (Authorisation) of the OEIC regulations and the shareholders are not liable for the debts of the Company. The Company is structured as an umbrella company with each underlying Fund having the investment powers equivalent to those of a securities company. In the future, there may be other Funds within the Company.

The assets of each Fund belong exclusively to that Fund and are not available to discharge (directly or indirectly) the liability of, or claims against any other fund.

The investment objective of each Fund, the Company’s policy for pursuing that objective and a review of each Fund’s investment activities for the year are set out in the individual fund reviews contained in this Annual Report and Financial Statements.

CROSSHOLDINGS

There were no shares in any Fund held by other Funds of the ICVC.

IMPORTANT EVENTS DURING THE PERIOD

In the 2016 Budget, the UK government announced that, effective from 6 April 2017, interest distributions may be paid without deducting income tax (currently 20%). As a result, prices for the Sterling Corporate Bond Fund will be calculated without an accrual for the deduction of income tax. This change will be made by the effective date.

By way of a referendum on 23 June 2016, the United Kingdom voted to leave the European Union. It is acknowledged that uncertainty exists in relation to the United Kingdom’s future relationship with the European Union. The management company is closely monitoring this and all other BREXIT related developments to ensure that any potential impact to the company and its shareholders is managed in good faith and communicated appropriately.

STATEMENT OF AUTHORISED CORPORATE DIRECTOR’S RESPONSIBILITIES

These annual financial statements have been prepared by the ACD in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Association in May 2014 and the rules contained in the Financial Conduct Authority’s Collective Investment Scheme Sourcebook (together the “Regulations”) and give a true and fair view of the net revenue and gains/(losses) of the scheme property of each Fund and the financial position of each Fund at the end of the accounting year.

The ACD is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and enables the ACD to ensure that the financial statements comply with the Regulations. In preparing this annual report, the Authorised Corporate Director has:

- prepared the financial statements on a going concern basis;
- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable accounting standards; and
- prepared financial statements in accordance with the Statement of Recommended Practice for Authorised Funds issued by the IA in May 2014.

The ACD confirms that they have complied with the above requirements in preparing the financial statements. The ACD is responsible for the management of the Company in accordance with the Company’s Instrument of Incorporation, Prospectus and the Regulations. The ACD is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Ruairi O’Healai
Director on behalf of
Morgan Stanley Investment Management (ACD) Limited
as Authorised Corporate Director of Morgan Stanley Funds (UK)
23 November 2016

Report of the Depositary to the Shareholders of the Company

For the year ended 30 September 2016

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Company's Instrument of Incorporation and Prospectus (together "the Scheme documents") as detailed below.

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

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depositary must ensure that:

- the Company's cash flows are properly monitored¹ and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares of the Company are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ("the AFM") which is the UCITS Management Company, are carried out (unless they conflict with the Regulations).

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

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

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

STATE STREET TRUSTEES LIMITED
Edinburgh
23 November 2016

¹ This requirement on the Depositary applied from 18 March 2016.

Independent Auditors' Report to the Shareholders of Morgan Stanley Funds (UK)

We have audited the financial statements of Morgan Stanley Funds (UK) ("the Company") for the year ended 30 September 2016 which comprise the Statement of Total Return, the Statement of Change in Net Assets Attributable to Shareholders, Balance Sheet, the related notes 1 to 18 and the Distribution Tables for each of the Company's sub-funds. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice); specifically FRS 102, the Financial Reporting Standard applicable to the UK and Ireland.

This report is made solely to the Company's shareholders, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in an auditors' 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 Company and the shareholders as a body, for our audit work, for this report or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE AUTHORISED CORPORATE DIRECTOR (ACD) AND AUDITOR

As explained more fully in the ACD's responsibilities statement set out on page 4, the ACD is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the ACD; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the financial position of the Company comprising of each of its sub-funds and of the net revenue/expenses and the net capital gains/(losses) on the scheme property of the Company comprising of each of its sub-funds for the year ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

OPINION ON OTHER MATTERS PRESCRIBED BY THE RULES OF THE COLLECTIVE INVESTMENT SCHEMES SOURCEBOOK OF THE FINANCIAL CONDUCT AUTHORITY

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority and the Instrument of Incorporation;
- the information given in the ACD's report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- there is nothing to indicate that proper accounting records have not been kept or that the financial statements are not in agreement with those records; and
- we have received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Ernst & Young LLP

Statutory Auditor
Edinburgh
23 November 2016

Global Brands Fund

Fund Review (continued)

Change in net assets per share (iii)	Share Class I Accumulation		
	30 Sep 2016 (£)	30 Sep 2015 (£)	30 Sep 2014 (£)
Opening net asset value per share	51.26	47.58	43.54
Return before operating charges	17.33	4.20	4.49
Operating charges	(0.55)	(0.52)	(0.45)
Return after operating charges	16.78	3.68	4.04
Distributions	(0.85)	(0.69)	(0.77)
Retained distributions on accumulations shares	0.85	0.69	0.77
Closing net asset value per share	68.04	51.26	47.58
After direct transaction costs of:	(0.05)	(0.04)	(0.03)
Performance (i)			
Return after operating charges	32.74%	7.73%	9.28%
Other information			
Closing net asset value	708,134,425	479,643,936	455,548,389
Closing number of shares	10,407,287	9,357,667	9,574,923
Operating Charges (ii)	0.92%	1.00%	1.00%
Direct transaction costs	0.08%	0.09%	0.07%
Prices			
Highest share price	69.49	54.94	51.17
Lowest share price	51.98	48.99	42.36

Change in net assets per share (iii)	Share Class I Income		
	30 Sep 2016 (£)	30 Sep 2015 (£)	30 Sep 2014 (£)
Opening net asset value per share	15.02	14.13	13.15
Return before operating charges	5.07	1.25	1.35
Operating charges	(0.16)	(0.15)	(0.14)
Return after operating charges	4.91	1.10	1.21
Distributions	(0.25)	(0.21)	(0.23)
Retained distributions on accumulations shares	-	-	-
Closing net asset value per share	19.68	15.02	14.13
After direct transaction costs of:	(0.01)	(0.01)	(0.01)
Performance (i)			
Return after operating charges	32.68%	7.75%	9.23%
Other information			
Closing net asset value	146,093,599	106,163,367	123,789,122
Closing number of shares	7,421,640	7,066,904	8,759,240
Operating Charges (ii)	0.92%	1.00%	1.00%
Direct transaction costs	0.08%	0.09%	0.07%
Prices			
Highest share price	20.28	16.25	15.20
Lowest share price	15.24	14.49	12.79

(i) The performance has been calculated in accordance with the Statement of Recommended Practices' prescribed calculation methodology. This is for financial statement reporting purposes only and may differ from the Fund's performance disclosed on the Key Investors document or the Fund's prospectus. Past performance is no guarantee of future returns. In particular, any return illustrated here will not necessarily continue at the levels shown.

(ii) Operating charges show the annual expenses of the Fund as a percentage of the average net asset value. (Effective 1 December 2015, operating charges were reduced from 1.75% to 1.65% for Class A and from 1% to 0.90% for Class I.)

(iii) Valued at bid basis.

PERFORMANCE REVIEW

For the 12-month period ending 30 September 2016, the Fund's I Accumulation class shares outperformed the benchmark, MSCI World (Net) Index by 2.89%, returning 32.74% (i) (net of fees in sterling) versus 29.85% for the Index.

The portfolio delivered very strong returns over the period. The outperformance was primarily due to the stock selection and allocation in Information Technology. The overweight allocation and stock selection in Consumer Staples, (companies whose businesses are less sensitive to economic cycles) and underweight allocations in Financials and Health Care also positively contributed to performance. The stock selection in Consumer Discretionary (companies whose businesses tend to be more sensitive to economic cycles) and underweight allocations in Materials and Industrials were the biggest detractors from performance for the year.

Top absolute contributors for the period were Microsoft (+391 basis points or bps), British American Tobacco (+300 bps) and Unilever (+250 bps). Top detractors were Sanofi (-25 bps) and Publicis (-9 bps).

MARKET REVIEW

The MSCI World (Net) Index advanced by 29.85% in sterling terms for the period. The fourth quarter of 2015 started very strong but markets fell slightly over the course of December, as a strong U.S. dollar continued to impact local market returns and fears of a China slowdown continued to add to volatility. Markets recovered in the first quarter of 2016 and produced strong returns in the second and third quarters. On a sector basis the 12-month period was led by Materials, Information Technology, Industrials, Energy and Consumer Staples, while Utilities, Consumer Discretionary, Health Care and Financials lagged other sectors.

PORTFOLIO ACTIVITY

During the year we bought L'Oréal, Reynolds American, International Flavors and Fragrances (IFF) and Coca Cola, which demonstrate pricing power, and exited holdings in Publicis, Sanofi, 3M and Mondelez International, where the investment cases deteriorated. We also added some positions in select Consumer Staples and Consumer Discretionary (particularly Media) names. Other positions were modified in Consumer Staples, Consumer Discretionary and Information Technology names for quality and valuation reasons.

Global Brands Fund

Fund Review (continued)

STRATEGY & OUTLOOK

We have rarely seen this concentration of event risk. Markets have been risk-on/risk-off since the European Union referendum “Brexit” vote on 23 June. Looking ahead, we see the presidential election in the U.S. and elections across Europe, which hold the potential to change the political and social landscape in Europe and with it, the continent’s relationship with its constituent countries as well as the rest of the world. These changes could be more significant than during any period after 1945, as the 70-year-old order of the post-World War II era is successfully being challenged.

To paraphrase Donald Rumsfeld, there is a considerable number of known knowns as well as some unknown unknowns ahead of us, compressed into a fairly short period of time. The known knowns do give us pause for thought, especially in light of the political backdrop. As of September 2016, we know that at 11.4%, the 2015 return on equity of the MSCI World Index is, aside from 2009, at its lowest in 15 years. We know that the 2015 price-to-earnings ratio of 17.9x is the second highest in a decade and recurring 2015 earnings per share are down 8% from their post-crisis highs of 2011. History and personal experience teach us that ex ante financial markets rarely price plate-shifting political events correctly. With valuations and debt levels high and interest rates and growth expectations low, downside risk seems currently elevated. We remain focused on high-quality companies with high-quality managements.

All information is provided for informational purposes only and should not be deemed as a recommendation to purchase or sell the securities mentioned.

Global Brands Fund

Portfolio Statement (unaudited)

AS AT 30 SEPTEMBER 2016

	Holdings	Investments	Market Value (£)	% of net asset value 30 Sep 2016	% of net asset value 30 Sep 2015
France – 10.33%	406,514	L'Oreal	58,294,352	6.78	
	338,466	Pernod Ricard	30,491,828	3.55	
			88,786,180	10.33	6.40
Germany – 2.97%	370,540	SAP	25,552,986	2.97	
			25,552,986	2.97	1.83
Ireland – 6.92%	41,637,723	Accenture	41,637,723	4.84	
	17,896,719	Experian	17,896,719	2.08	
			59,534,442	6.92	6.63
Italy – 1.07%	1,072,737	Davide Campari-Milano	9,239,107	1.07	
			9,239,107	1.07	0.81
Japan – 2.54%	695,112	Japan Tobacco	21,826,736	2.54	
			21,826,736	2.54	2.12
Netherlands – 0.91%	565,797	RELX NV	7,787,071	0.91	
			7,787,071	0.91	0.57
Switzerland – 4.74%	670,558	Nestlé	40,718,771	4.74	
			40,718,771	4.74	9.65
United Kingdom – 23.62%	1,345,206	British American Tobacco	66,473,353	7.73	
	895,204	Reckitt Benckiser	64,705,345	7.53	
	819,203	RELX	11,952,172	1.39	
	1,654,249	Unilever	59,908,628	6.97	
			203,039,498	23.62	23.97
United States – 44.64%	778,255	Altria	37,713,593	4.39	
	380,276	ADP	25,585,450	2.98	
	516,997	Coca-Cola	16,761,986	1.95	
	164,834	International Flavors & Fragrances	18,050,567	2.10	
	132,418	Intuit	11,164,654	1.30	
	1,489,308	Microsoft	65,932,389	7.67	
	106,060	Moody's	8,812,228	1.03	
	568,535	NIKE	22,880,005	2.66	
	315,102	Philip Morris International	23,759,976	2.76	
	1,066,658	Reynolds American	38,771,137	4.51	
	316,999	Time Warner	19,222,672	2.24	
	752,121	Twenty-First Century Fox 'A' Shares	13,941,822	1.62	
	932,517	Twenty-First Century Fox 'B' Shares	17,710,176	2.06	
	606,930	Visa	38,358,324	4.46	
	353,213	Walt Disney	25,017,968	2.91	
			383,682,947	44.64	45.34
		Portfolio of investments	840,167,738	97.74	97.33
		Net other assets	19,455,072	2.26	2.67
		Net assets	859,622,810	100.00	100.00

All holdings are ordinary shares unless otherwise stated.

Global Brands Fund

Statement of Total Return

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Notes	30 Sep 16 (£)	30 Sep 16 (£)	30 Sep 15 (£)	30 Sep 15 (£)
Income					
Net capital gains	4		184,971,074		37,950,986
Revenue	5	17,633,025		15,937,883	
Expenses	6	(6,442,172)		(6,360,472)	
Interest payable and similar charges		(483)		(772)	
Net revenue before taxation		11,190,370		9,576,639	
Taxation	7	(1,283,473)		(993,782)	
Net revenue after taxation			9,906,897		8,582,857
Total return before distributions			194,877,971		46,533,843
Distributions	8		(9,906,955)		(8,582,943)
Change in net assets attributable to shareholders from investment activities			184,971,016		37,950,900

Statement of Change in Net Assets Attributable to Shareholders

FOR THE YEAR ENDED 30 SEPTEMBER 2016

		30 Sep 16 (£)	30 Sep 16 (£)	30 Sep 15 (£)	30 Sep 15 (£)
Opening net assets attributable to shareholders			590,525,669		586,922,651
Amounts received on issue of shares		157,438,314		110,373,359	
Amounts paid on cancellation of shares		(81,932,277)		(151,486,064)	
			75,506,037		(41,112,705)
Dilution adjustment			–		122,711
Change in net assets attributable to shareholders from investment activities (see above)			184,971,016		37,950,900
Retained distribution on accumulation shares			8,620,088		6,642,112
Closing net assets attributable to shareholders			859,622,810		590,525,669

Balance Sheet

AS AT 30 SEPTEMBER 2016

	Notes	30 Sep 16 (£)	30 Sep 16 (£)	30 Sep 15 (£)	30 Sep 15 (£)
Assets					
Investment assets			840,167,738		574,730,241
Debtors	9	64,970,059		4,030,594	
Cash and bank balances	10	15,891,403		15,399,187	
Total other assets			80,861,462		19,429,781
Total assets			921,029,200		594,160,022
Liabilities					
Creditors	11	60,117,594		2,637,498	
Distribution payable on income shares		1,288,796		996,855	
Total liabilities			61,406,390		3,634,353
Net assets attributable to shareholders			859,622,810		590,525,669

The accompanying notes are an integral part of these Financial Statements.

Global Brands Fund

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2016

1. ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds (the “SORP”) issued by the Investment Association in May 2014 in compliance with UK GAAP and the adoption of FRS102 the Financial Reporting Standard applicable in the UK.

Interest payable of £483 (2015: £772) has been reclassified from distributions to a standalone item on the face of the Statement of Total Return.

(b) Revenue

Dividends on equities and preference stocks are recognised when the securities are quoted ex-dividend. Interest receivable from bank deposits is accounted for on an accruals basis.

Special dividends are treated as either capital or revenue depending on the facts of each particular case. Amounts recognised as revenue will form part of the Company’s distribution. Any tax treatment thereon will follow the accounting treatment of the principal amount.

(c) Expenses

All expenses, reimbursements and fee waivers are recognised on an accrual basis. Expenses other than those relating to the purchase and sale of investments, are charged against revenue in the Statement of Total Return.

The ACD has chosen to waive part or all of its fee and/or cover other expenses of the Fund in order to reduce the impact that such fees may have on the performance of the Fund. This waiver or reimbursement is entirely voluntary and may be discontinued at any time without notice at the sole discretion of the ACD. The amount of fees waived during the accounting year is shown in note 6.

(d) Taxation

The charge for taxation is based on the net revenue for the year.

UK dividend revenue is disclosed net of any related tax credit. Overseas dividends are disclosed gross of any foreign tax suffered, the tax element being separately disclosed in the taxation note.

Deferred taxation is provided on all timing differences that have originated and not reversed by the Balance Sheet date, other than those differences regarded as permanent. Any liability to deferred tax is provided at the rate at which it is anticipated the timing difference will reverse. Deferred tax assets and liabilities are not discounted to reflect the time value of money, a deferred tax asset is only recognised to the extent that it is expected to crystallise.

(e) Valuation of investments

Market value is defined by the SORP as fair value, which generally is the bid value of each security. To comply with this, quoted investments have been valued at bid-market value at 12.00pm on the last business day of the accounting year.

Unquoted, illiquid and suspended investments are valued by the ACD at a best assessment of fair value.

(f) Exchange rates

Assets and liabilities denominated in foreign currencies are translated into Sterling at the exchange rate prevailing at 12.00pm on the last business day of the accounting year, 30 September 2016. Revenue and expenditure transactions are translated at the rates of exchange ruling on the dates of the transactions. Gains or losses arising on the translation are reported on as part of the return for the accounting year.

2. DISTRIBUTION POLICY

The revenue from the Fund’s investments accumulates during each accounting period. If revenue exceeds expenses during the period, the net revenue of the Fund is available for distribution at share class level to the shareholders in accordance with the regulations.

The allocation of revenue and non class specific expenses is based upon the proportion of the Fund’s assets attributable to each share class, on the day the revenue is earned or expense is suffered. Income equalisation and the annual management charge, are specific to each share class.

The ordinary element of stock dividends, received in lieu of cash dividends, is treated as revenue, and forms part of the distribution. In the case of an enhanced stock dividend, the value of the enhancement is treated as capital and does not form part of the distribution.

3. FINANCIAL RISK MANAGEMENT POLICIES

Strategy in using financial instruments

In pursuing its investment objective, the Fund holds a number of financial instruments. The Fund’s financial instruments 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 issue of shares and payables for cancellation of shares and debtors for accrued revenue.

Financial derivative instruments may be used by the Fund for efficient portfolio management, for example to hedge investment exposure or to adjust exposure in a cost effective manner.

Derivative instruments held within the Funds will be accounted for in accordance with the SORP for Authorised Funds.

Derivative transactions will be treated as either revenue or capital depending on the motives and circumstances on acquisition.

Derivatives are not used to gear (leverage) the portfolio. Gearing a portfolio would occur if the levels of exposure to the markets exceed the underlying value of the Fund.

Global Brands Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

The main risks the Fund faces from investing are: (a) market price risk, (b) foreign currency risk, (c) interest rate risk & cash flow risk, (d) liquidity risk and (e) use of derivatives.

These risks and the ACD's policies for managing them are summarised below and have been applied to the Fund throughout the year and the prior year.

(a) Market price risk

The Fund's investment portfolios are exposed to market price fluctuations caused by factors other than interest rate or currency movement.

Price risk arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the British Pounds, the price in the future will also fluctuate because of changes in foreign exchange rates which are considered a component of price risk.

All security investments present a risk of loss of capital arising from uncertainties about future prices of the instruments. The Investment Manager manages this risk through a careful selection of securities and other financial instruments, management of exposure to geographical regions, adherence to investment guidelines, and to investment and borrowing powers set out in the Prospectus.

As at 30 September 2016, if the value of the Funds portfolio increased or decreased by 5%, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £42,008,387 (2015: £28,736,512).

(b) Foreign currency risk and currency exposure

Some of the Fund's monetary and non-monetary financial assets and liabilities are denominated in currencies other than the base currency of that fund. As a result, movements in exchange rates affect the Sterling value of the portfolio, cash and investment purchases and sales. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk. Foreign exchange risk arises as the value of monetary assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates.

The Fund may enter into derivative transactions in the form of forward foreign exchange contracts. Forward foreign exchange contracts are used to manage currency risk arising from holdings of overseas securities and are disclosed in the financial statements for the Fund.

As at 30 September 2016, if the value of Sterling increased or decreased by 1% against all currencies, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £5,800,391 (2015: £4,226,703).

The Fund's currency exposure as at 30 September 2016 was:

Currency	Net foreign currency assets		
	Monetary Exposure £	Non-Monetary Exposure £	Total £
Euro	(8,058,199)	131,365,345	123,307,146
Japanese Yen	(1,488,190)	21,826,736	20,338,546
Swiss Franc	(1,782,543)	40,718,771	38,936,228
US Dollar	(27,863,489)	425,320,668	397,457,179
Total	(39,192,421)	619,231,520	580,039,099

The Fund's currency exposure as at 30 September 2015 was:

Currency	Net foreign currency assets		
	Monetary Exposure £	Non-Monetary Exposure £	Total £
Euro	464,518	56,748,044	57,212,562
Japanese Yen	(2,057,207)	12,492,920	10,435,713
Swiss Franc	724,394	57,040,421	57,764,815
US Dollar	1,406,511	295,850,715	297,257,226
Total	538,216	422,132,100	422,670,316

(c) Interest rate risk and cash flow risk

The Fund does not hold fixed income securities therefore interest rate risk is not considered as a material risk.

However, interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates. Cash balances are actively managed to ensure that there is enough liquidity in the Fund to cover any expenses or liabilities, while ensuring that no excess cash sits in the Fund. Any cash is placed on overnight/weekly deposit with the custodian and will be subject to current interest rates.

The Fund's net cash holdings are held in several floating rate deposit accounts with interest determined by rates supplied by the Depository.

Non-interest Cashflows (i.e. dividend income) to the equity Funds may fluctuate depending on the particular decisions made by each issuer.

The interest rate risk profile of the Fund's financial assets and liabilities at 30 September 2016 was:

As the majority of the Fund's financial assets are non-interest bearing, the risk is not considered significant and is therefore not disclosed.

Global Brands Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

Currency	Floating Rate financial assets £	Financial assets not carrying interest £	Total £
2016			
Euro	-	131,955,903	131,955,903
Japanese Yen	-	21,826,736	21,826,736
Pound Sterling	15,891,403	282,915,394	298,806,797
Swiss Franc	-	41,796,119	41,796,119
US Dollar	-	426,643,645	426,643,645
Total	15,891,403	905,137,797	921,029,200
2015			
Euro	-	57,212,561	57,212,561
Japanese Yen	-	12,492,920	12,492,920
Pound Sterling	14,751,517	154,680,982	169,432,499
Swiss Franc	-	57,764,815	57,764,815
US Dollar	647,670	296,609,557	297,257,227
Total	15,399,187	578,760,835	594,160,022

Currency	Floating Rate financial liabilities £	Financial liabilities not carrying interest £	Total £
2016			
Euro	-	8,648,758	8,648,758
Japanese Yen	-	1,488,189	1,488,189
Pound Sterling	-	19,223,087	19,223,087
Swiss Franc	-	2,859,891	2,859,891
US Dollar	-	29,186,465	29,186,465
Total	-	61,406,390	61,406,390
2015			
Pound Sterling	-	1,577,146	1,577,146
US Dollar	-	2,057,207	2,057,207
Total	-	3,634,353	3,634,353

The Fund's net cash holdings are held in floating rate deposit accounts with interest determined by rates supplied, based on LIBOR or its International equivalent.

(d) Liquidity risk

The Fund is exposed to daily cash redemptions of redeemable units. The Fund may therefore only invest in securities that are transferable, liquid and have a value that can be accurately determined on each valuation day.

Some securities purchased may subsequently be deemed to be illiquid or have stale prices. If such instances arise, which are infrequent, the securities are reviewed by the Investment Manager on a regular basis and fair valued as appropriate.

All of the Fund's financial assets as at 30 September 2016 are considered to be readily realisable in accordance with the market practices of the exchange on which they are traded.

In general, cash is managed to ensure the Fund can meet its liabilities. Where investments cannot be realised in time to meet any potential liability, the Fund may borrow up to 10% of their value to ensure settlement.

All of the Fund's financial liabilities are payable on demand or in less than one year.

The IM's (Investment Manager) liquidity risk management policy is aimed at ensuring consistency with the Fund's underlying obligations and its redemption policy so that the Fund will be in a position to satisfy Shareholders' redemption requests in accordance with the provisions of the Prospectus. The IM will measure and monitor the liquidity of each Fund's assets and will provide reports to the ACD on a periodic basis.

If a Shareholder requests the redemption or cancellation of Shares representing a value which the ACD considers to be substantial in relation to the total value of the relevant Fund, the ACD may arrange that the Fund cancel the Shares and transfer Scheme Property to the Shareholders in lieu of payment of the price for the Shares in cash.

(e) Use of Derivatives and other Investment Techniques

The Fund may employ techniques and instruments relating to Transferable Securities and other financial liquid assets for efficient portfolio management (i.e. to increase or decrease their exposure to changing security prices, interest rates, currency exchange rates or other factors that affect security values) and hedging purposes.

These techniques may include the use of forward currency exchange, futures and other investment techniques. Participation in derivatives transactions involves investment risks and transactions costs to which the Fund would not be subject in the absence of the use of these strategies.

These techniques may increase the volatility of a Fund and may involve a small investment of cash relative to the magnitude of the risk assumed. In addition, these techniques could result in a loss if the counterparty of the transaction does not perform as promised. There can be no assurance that the Investment Manager will be able to successfully hedge the Fund.

There were no derivatives held at the accounting year end. (2015: no derivatives held).

4. NET CAPITAL GAINS

	30 Sep 16 (£)	30 Sep 15 (£)
Gains on non-derivative securities	184,973,110	37,718,314
Currency gains	10,277	248,704
Transaction charges	(12,590)	(16,398)
ACD's reimbursement to capital	277	366
Net capital gains	184,971,074	37,950,986

Global Brands Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

5. REVENUE

	30 Sep 16 (£)	30 Sep 15 (£)
Overseas dividends	12,458,796	10,228,312
UK dividends	5,167,203	5,690,777
Bank interest	7,026	18,794
Total revenue	17,633,025	15,937,883

6. EXPENSES

	30 Sep 16 (£)	30 Sep 15 (£)
Payable to the ACD, associates of the ACD and agents of either of them:		
Management charge	5,294,411	4,791,439
Administration charge	1,157,538	1,581,171
	6,451,949	6,372,610
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	115,859	102,524
Safe custody fees	79,552	79,532
	195,411	182,056
Other expenses:		
Financial Conduct Authority fee	480	486
Audit fee*	9,391	9,450
Professional fees	28,513	17,130
Printing & production costs	5,497	18,487
	43,881	45,553
Expenses	6,691,241	6,600,219
Less ACD reimbursement to revenue	(249,069)	(239,747)
Total expenses	6,442,172	6,360,472

* The audit fee for the year, excluding VAT, was £7,850 (2015: £7,875).

The Depositary fee has been increased from 1.35bps to 1.55bps per annum from 19 August 2016.

7. TAXATION

(a) Analysis of charge in the year:

	30 Sep 16 (£)	30 Sep 15 (£)
Overseas tax	1,283,473	993,782
Total taxation	1,283,473	993,782

(b) Factors affecting current tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an open ended investment company (20%).

The differences are explained below:

	30 Sep 16 (£)	30 Sep 15 (£)
Net revenue before taxation	11,190,370	9,576,639
Corporation tax at 20% (2015: 20%)	2,238,074	1,915,328
Effects of:		
Revenue not subject to corporation tax	(3,525,199)	(3,183,818)
Rebated capital expenses deductible for tax purposes	55	73
Movement in excess expenses	1,287,070	1,268,417
Overseas tax	1,283,473	993,782
Total tax charge	1,283,473	993,782

(c) Provision for deferred tax

At 30 September 2016 the Fund had surplus management expenses of £33,092,354 (2015: £26,657,001). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore a deferred tax asset of £6,618,471 (2015: £5,331,401) has not been recognised.

8. DISTRIBUTIONS

The distributions take account of equalisation received on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	30 Sep 16 (£)	30 Sep 15 (£)
Interim	2,927,670	2,747,305
Final	7,510,601	5,486,439
Add: Amounts deducted on cancellation of shares	456,751	546,692
Less: Amounts received on issue of shares	(988,067)	(197,493)
Net distribution for the year	9,906,955	8,582,943

Distributions are represented by:

	30 Sep 16 (£)	30 Sep 15 (£)
Net revenue after taxation	9,906,897	8,582,857
Tax relief on expenses offset against capital	55	73
Movement on revenue account	3	13
Net distribution for the year	9,906,955	8,582,943

Details of the distribution per share are set out in the Distribution Tables on page 18.

9. DEBTORS

	30 Sep 16 (£)	30 Sep 15 (£)
Accrued revenue	1,325,683	818,817
Amounts receivable for issue of shares	61,898,453	1,437,271
Sales awaiting settlement	-	551,319
Overseas tax recoverable	1,667,905	1,188,910
Reimbursement of expenses receivable from ACD	78,018	34,277
	64,970,059	4,030,594

Global Brands Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

10. CASH AND BANK BALANCES

	30 Sep 16 (£)	30 Sep 15 (£)
Cash and bank balances	15,891,403	15,399,187
	15,891,403	15,399,187

11. CREDITORS

	30 Sep 16 (£)	30 Sep 15 (£)
Purchases awaiting settlement	57,609,385	2,057,207
Accrued expenses	471,266	162,196
Amounts payable to ACD	1,940,299	363,680
Amount payable for cancellation of shares	96,644	54,415
	60,117,594	2,637,498

12. RELATED PARTY TRANSACTIONS

Morgan Stanley Investment Management (ACD) Limited, as Authorised Corporate Director (ACD), is a related party, and acts as a principal in respect of all transactions of shares in the Company. The aggregate monies received through issues and paid on redemptions are disclosed in the Statement of Change in Net Assets Attributable to Shareholders. Any amounts due to or from Morgan Stanley Investment Management (ACD) Limited at the end of the accounting year are disclosed in notes 9 and 11.

Amounts payable to Morgan Stanley Investment Management (ACD) Limited in respect of fund administration and management services are disclosed in note 6, and amounts due at the end of the year in note 11.

The amount of fees waived by the ACD in order to reduce the impact such fees have on the performance of the Fund are disclosed in note 6.

There are no material shareholders (2015: no material shareholders).

13. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Fund had no contingent liabilities or capital commitments at the year end date (2015: £nil).

14. SHAREHOLDERS' FUNDS

The annual management charges for the Fund are as follows:

Class A	1.50%
Class I	0.75%

The net asset value, the net asset value per share and the number of shares are set out in the comparative Net Asset Values Table on pages 7 and 8. The distribution per share class is given in the Distribution Tables on page 18.

15. PORTFOLIO TRANSACTION COSTS

Analysis of total trade costs.

For the year ending	Purchases		Sales	
	30 Sep 16	30 Sep 15	30 Sep 16	30 Sep 15
Equities	303,532,551	225,450,297	223,664,707	264,739,969
Trades in the year before transaction costs	303,532,551	225,450,297	223,664,707	264,739,969
Commissions				
Equities	178,623	155,443	(131,228)	(184,278)
Total Commissions	178,623	155,443	(131,228)	(184,278)
Taxes				
Equities	281,585	202,574	(2,825)	(2,129)
Total Taxes	281,585	202,574	(2,825)	(2,129)
Total costs	460,208	358,017	(134,052)	(186,407)
Total net trades in the year after transaction costs	303,992,758	225,808,314	223,530,655	264,553,562

In the case of shares, commissions and taxes are paid by the sub-fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the average dealing spread was 1.63% (2015: 1.82%).

Total transaction cost expressed as a percentage of asset types:

For the year ending	Purchases		Sales	
	30 Sep 16 %	30 Sep 15 %	30 Sep 16 %	30 Sep 15 %
Commissions				
Equities	0.059	0.069	(0.059)	(0.070)
Taxes				
Equities	0.093	0.090	(0.001)	(0.001)

Total transaction cost expressed as a percentage of average NAV:

For the year ending	30 Sep 16	30 Sep 15
	%	%
Commissions	0.044	0.054
Taxes	0.041	0.032
Total	0.085	0.086

Global Brands Fund

Notes to the Financial Statements (continued)

16. SHARE RECONCILIATION

Reconciliation of the share movements in the year	A Accumulation		30 Sep 2016	
	A Income	I Accumulation	I Income	
Opening shares in issue	98,916	7,369	9,357,667	7,066,904
Creations during the year	299	18	2,181,172	928,028
Cancellations during the year	(13,502)	(544)	(1,131,552)	(573,292)
Closing shares in issue	85,713	6,843	10,407,287	7,421,640

17. FAIR VALUE HIERARCHY

Valuation technique	Assets		Liabilities	
	30 Sep 2016	30 Sep 2016	30 Sep 2015	30 Sep 2015
Quoted prices for identical instruments in active markets [^]	840,167,738	-	574,730,241	-
Valuation techniques using observable market data ^{^^}	-	-	-	-
Valuation techniques using non-observable data ^{^^^}	-	-	-	-
	840,167,738	-	574,730,241	-

[^] Fair value based on a quoted price for an identical instrument in an active market and generally will include quoted equities, some highly liquid bonds and exchange traded derivatives.

^{^^} Fair value based on a valuation technique using observable market data and will generally include evaluated pricing techniques using inputs such as quoted prices for similar instruments, interest rates, yield curves and credit spread. This may include publically traded corporate bonds and over-the-counter instruments.

^{^^^} Fair value based on a valuation technique that relies significantly on non-observable market data will include values not primarily derived from observable market data.

The Fund early adopted the FRS102 update in March 2016.

18. POST BALANCE SHEET EVENT

There are no significant post balance sheet events.

Global Brands Fund

Distribution Tables

FOR THE YEAR ENDED 30 SEPTEMBER 2016

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 October 2015

Group 2: shares purchased on or after 1 October 2015 to 31 March 2016

	Revenue (p)	Equalisation (p)	Distribution paid 31 May 2016 (p)	Distribution paid 31 May 2015 (p)
Share Class A – Accumulation				
Group 1	3.2144	–	3.2144	1.2689
Group 2	3.2123	0.0021	3.2144	1.2689
Share Class A – Income				
Group 1	1.2168	–	1.2168	0.6514
Group 2	1.2168	0.0000	1.2168	0.6514
Share Class I – Accumulation				
Group 1	25.0858	–	25.0858	21.5292
Group 2	19.5854	5.5004	25.0858	21.5292
Share Class I – Income				
Group 1	7.3569	–	7.3569	6.4678
Group 2	5.4035	1.9534	7.3569	6.4678

FINAL DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 April 2016

Group 2: shares purchased on or after 1 April 2016 to 30 September 2016

	Revenue (p)	Equalisation (p)	Distribution payable 30 Nov 2016 (p)	Distribution paid 30 Nov 2015 (p)
Share Class A – Accumulation				
Group 1	32.4142	–	32.4142	25.2509
Group 2	6.1662	26.2480	32.4142	25.2509
Share Class A – Income				
Group 1	8.5487	–	8.5487	7.6414
Group 2	2.9505	5.5982	8.5487	7.6414
Share Class I – Accumulation				
Group 1	59.5162	–	59.5162	47.7106
Group 2	11.0497	48.4665	59.5162	47.7106
Share Class I – Income				
Group 1	17.3575	–	17.3575	14.0980
Group 2	5.6888	11.6687	17.3575	14.0980

EQUALISATION

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the average amount of income included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital.

Global Brands Equity Income Fund

Fund Review

INVESTMENT OBJECTIVE

The objective of the Fund is to provide regular income and long term capital appreciation through investment primarily in equity securities issued in the world's developed markets.

RISK AND REWARD PROFILE

Lower risk ← Higher risk
Potentially lower rewards ← Potentially higher rewards

1	2	3	4	5	6	7
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The risk and reward category shown is based on simulated historic performance data.

- Historic figures are only a guide and may not be a reliable indicator of what may happen in the future.
- As such this category may change in the future.
- The higher the category, the greater the potential reward, but also the greater the risk of losing the investment. Category 1 does not indicate a risk free investment.
- The Fund is in this category because it invests in company shares, and the Fund's simulated and/or realised return has experienced high rises and falls historically.
- The Fund may be impacted by movements in the exchange rates between the Fund's currency and the currencies of the Fund's investments.

This rating does not take into account other risk factors which should be considered before investing, these include:

- The value of financial derivative instruments are highly sensitive and may result in losses in excess of the amount invested by the Fund.
- The Fund relies on other parties to fulfil certain services, investments or transactions. If these parties become insolvent, it may expose the Fund to financial loss.
- There may be an insufficient number of buyers or sellers which may affect the Fund's ability to buy or sell securities.
- The derivative strategy aims to increase the income paid to investors, but there is potential for the Fund to suffer losses.

PERFORMANCE RECORD AS AT 30 SEPTEMBER 2016

	Share Class I Accumulation 30 Sep 2016 (£)
Change in net assets per share (iii)	
Opening net asset value per share	9.97
Return before operating charges	0.21
Operating charges	(0.09)
Return after operating charges	0.12
Distributions	(0.03)
Retained distributions on accumulations shares	0.03
Closing net asset value per share	10.09
After direct transaction costs of:	0.02
Performance (i)	
Return after operating charges	1.24%
Other information	
Closing net asset value	1,765,741
Closing number of shares	175,000
Operating Charges (ii)	1.00%
Direct transaction costs	0.22%
Prices	
Highest share price	10.16
Lowest share price	9.76

	Share Class I Income 30 Sep 2016 (£)
Change in net assets per share (iii)	
Opening net asset value per share	9.97
Return before operating charges	0.21
Operating charges	(0.09)
Return after operating charges	0.12
Distributions	(0.03)
Retained distributions on accumulations shares	-
Closing net asset value per share	10.06
After direct transaction costs of:	0.02
Performance (i)	
Return after operating charges	1.24%
Other information	
Closing net asset value	1,760,668
Closing number of shares	175,000
Operating Charges (ii)	1.00%
Direct transaction costs	0.22%
Prices	
Highest share price	10.16
Lowest share price	9.76

(i) The performance has been calculated in accordance with the Statement of Recommended Practices' prescribed calculation methodology. This is for financial statement reporting purposes only and may differ from the Fund's performance disclosed on the Key Investors document or the Fund's prospectus. Past performance is no guarantee of future returns. In particular, any return illustrated here will not necessarily continue at the levels shown.

(ii) Operating charges show the annual expenses of the Fund as a percentage of the average net asset value.

(iii) Valued at bid basis. (With the exception of opening net asset value per share which is at mid).

The Fund was launched 30 August 2016 and there is no comparative data available.

The opening NAV per share is the price as on the date of the first calculated NAV.

Global Brands Equity Income Fund

Fund Review (continued)

PERFORMANCE REVIEW

For the period from the first calculated NAV on 31 August 2016 through 30 September 2016, the Fund's I Accumulation class shares underperformed the benchmark, MSCI World (net) Index by 0.12%, returning 1.24% (net of fees in sterling) versus 1.36% for the index.

The Fund launched close to the annual reporting period-end. Such a short time frame would not provide a meaningful performance analysis as short-term returns may not be indicative of the Fund's long-term performance potential.

MARKET REVIEW

The MSCI World (Net) Index advanced by 1.36% in sterling terms for the month of September. On a sector basis, Energy was weak for most of the month, but staged a later recovery to top the sector list. Information Technology and Materials also outperformed the Index. Financials, Health Care and Consumer Staples (companies whose businesses are less sensitive to economic cycles) underperformed the Index during the period.

PORTFOLIO ACTIVITY

During the period we exited our holding in Mondelez International, following a significant re-rating. We also added to some positions in select Consumer Staples names.

STRATEGY & OUTLOOK

We have rarely seen this concentration of event risk. Markets have been risk-on/risk-off since the European Union referendum "Brexit" vote on 23 June. Looking ahead, we see the presidential election in the U.S. and elections across Europe, which hold the potential to change the political and social landscape in Europe and with it, the continent's relationship with its constituent countries as well as the rest of the world. These changes could be more significant than during any period after 1945, as the 70-year-old order of the post-World War II era is successfully being challenged.

To paraphrase Donald Rumsfeld, there is a considerable number of known knowns as well as some unknown unknowns ahead of us, compressed into a fairly short period of time. The known knowns do give us pause for thought, especially in light of the political backdrop. As of September 2016, we know that at 11.4%, the 2015 return on equity of the MSCI World Index is, aside from 2009, at its lowest in 15 years. We know that the 2015 price-to-earnings ratio of 17.9x is the second highest in a decade and recurring 2015 earnings per share are down 8% from their post-crisis highs of 2011. History and personal experience teach us that ex ante financial markets rarely price plate-shifting political events correctly. With valuations and debt levels high and interest rates and growth expectations low, downside risk seems currently elevated. We remain focused on high-quality companies with high-quality managements.

All information is provided for informational purposes only and should not be deemed as a recommendation to purchase or sell the securities mentioned.

Global Brands Equity Income Fund

Portfolio Statement (unaudited)

AS AT 30 SEPTEMBER 2016

	Holdings	Investments	Market Value (£)	% of net asset value 30 Sep 2016
France – 10.32%	1,674	L'Oreal	240,053	6.81
	1,373	Pernod Ricard	123,691	3.51
			363,744	10.32
Germany – 2.98%	1,525	SAP	105,166	2.98
			105,166	2.98
Ireland – 6.99%	1,843	Accenture	172,934	4.90
	4,802	Experian	73,759	2.09
			246,693	6.99
Italy – 1.16%	4,751	Davide Campari-Milano	40,919	1.16
			40,919	1.16
Japan – 2.49%	2,800	Japan Tobacco	87,921	2.49
			87,921	2.49
Netherlands – 0.91%	2,332	RELX NV	32,095	0.91
			32,095	0.91
Switzerland – 4.75%	2,758	Nestlé	167,476	4.75
			167,476	4.75
United Kingdom – 23.62%	5,542	British American Tobacco	273,858	7.77
	3,688	Reckitt Benckiser	266,569	7.56
	3,375	RELX	49,241	1.40
	6,710	Unilever	243,003	6.89
			832,671	23.62
United States – 44.86%	3,221	Altria	156,087	4.43
	1,565	ADP	105,295	2.99
	2,124	Coca-Cola	68,864	1.95
	679	International Flavors & Fragrances	74,356	2.11
	546	Intuit	46,035	1.30
	6,143	Microsoft	271,954	7.71
	437	Moody's	36,309	1.03
	2,352	NIKE	94,653	2.68
	1,299	Philip Morris International	97,950	2.78
	4,383	Reynolds American	159,314	4.52
	1,306	Time Warner	79,195	2.25
	3,102	Twenty-First Century Fox 'A' Shares	57,501	1.63
	3,846	Twenty-First Century Fox 'B' Shares	73,042	2.07
	2,503	Visa	158,191	4.49
	1,456	Walt Disney	103,128	2.92
			1,581,874	44.86
Swaps Contracts – 0.22%	2,519,410	Morgan Stanley International Total Return Swap Pay 1% 29/04/2017	394	0.01
	1,981,952	Morgan Stanley International Total Return Swap Pay 4% 04/05/2017	941	0.03
	2,508,940	Morgan Stanley International Total Return Swap Pay 1% 05/06/2017	1,576	0.04
	1,951,460	Morgan Stanley International Total Return Swap Pay 4% 05/06/2017	4,861	0.14
			7,772	0.22
		Portfolio of investments	3,466,331	98.30
		Net other assets	60,078	1.70
		Net assets	3,526,409	100.00

All holdings are ordinary shares unless otherwise stated.

Financial derivative instrument risk exposure.

The exposure obtained through financial derivative instruments and identity of counterparties as at 30 September 2016 was as follows:

Swap Contracts

Counterparty	National value (£)	Value of exposure (£)
Morgan Stanley	(8,961,762)	7,772
Total	(8,961,762)	7,772

Global Brands Equity Income Fund

Statement of Total Return

FOR THE PERIOD 30 AUGUST 2016 TO 30 SEPTEMBER 2016

	Notes	30 Sep 16 (£)	30 Sep 16 (£)
Income			
Net capital gains	4		22,860
Revenue	5	13,503	
Expenses	6	(1,905)	
Net revenue before taxation		11,598	
Taxation	7	(2,977)	
Net revenue after taxation			8,621
Total return before distributions			31,481
Distributions	8		(10,145)
Change in net assets attributable to shareholders from investment activities			21,336

Statement of Change in Net Assets Attributable to Shareholders

FOR THE PERIOD 30 AUGUST 2016 TO 30 SEPTEMBER 2016

	30 Sep 16 (£)	30 Sep 16 (£)
Opening net assets attributable to shareholders		-
Amounts received on issue of shares	3,500,000	
Amounts paid on cancellation of shares	-	
		3,500,000
Change in net assets attributable to shareholders from investment activities (see above)		21,336
Retained distribution on accumulation shares		5,073
Closing net assets attributable to shareholders		3,526,409

Balance Sheet

AS AT 30 SEPTEMBER 2016

	Notes	30 Sep 16 (£)	30 Sep 16 (£)
Assets			
Investment assets			3,466,331
Debtors	9	20,973	
Cash and bank balances	10	64,236	
Total other assets			85,209
Total assets			3,551,540
Liabilities			
Creditors	11	20,058	
Distribution payable on income shares		5,073	
Total liabilities			25,131
Net assets attributable to shareholders			3,526,409

The accompanying notes are an integral part of these Financial Statements.

The Fund was launched 30 August 2016 and there is no comparative data available.

Global Brands Equity Income Fund

Notes to the Financial Statements

FOR THE PERIOD 30 AUGUST TO 30 SEPTEMBER 2016

1. ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds (the "SORP") issued by the Investment Association in May 2014 in compliance with UK GAAP and the adoption of the FRS102 the Financial Reporting Standard applicable in the UK.

(b) Revenue

Dividends on equities and preference stocks are recognised when the securities are quoted ex-dividend. Interest receivable from bank deposits is accounted for on an accruals basis.

Special dividends are treated as either capital or revenue depending on the facts of each particular case. Amounts recognised as revenue will form part of the Company's distribution. Any tax treatment thereon will follow the accounting treatment of the principal amount.

Returns from Total Return Swaps in the form of dividends or interest received from the underlying security or index are recognised as Revenue. Capital gains on the underlying security or index are treated as capital.

(c) Expenses

All expenses, reimbursements and fee waivers are recognised on an accrual basis. Expenses other than those relating to the purchase and sale of investments, are charged against revenue in the Statement of Total Return.

The ACD has chosen to waive part or all of its fee and/or cover other expenses of the Fund in order to reduce the impact that such fees may have on the performance of the Fund. This waiver or reimbursement is entirely voluntary and may be discontinued at any time without notice at the sole discretion of the ACD. The amount of fees waived during the accounting period is shown in note 6.

(d) Taxation

The charge for taxation is based on the net revenue for the year. UK dividend revenue is disclosed net of any related tax credit. Overseas dividends are disclosed gross of any foreign tax suffered, the tax element being separately disclosed in the taxation note.

Deferred taxation is provided on all timing differences that have originated and not reversed by the Balance Sheet date, other than those differences regarded as permanent. Any liability to deferred tax is provided at the rate at which it is anticipated the timing difference will reverse. Deferred tax assets and liabilities are not discounted to reflect the time value of money, a deferred tax asset is only recognised to the extent that it is expected to crystallise.

(e) Valuation of investments

Market value is defined by the SORP as fair value, which generally is the bid value of each security. To comply with this, quoted investments have been valued at bid-market value at 12.00pm on the last business day of the accounting period.

Unquoted, illiquid and suspended investments are valued by the ACD at a best assessment of fair value.

(f) Exchange rates

Assets and liabilities denominated in foreign currencies are translated into Sterling at the exchange rate prevailing at 12.00pm on the last business day of the accounting period, 30 September 2016. Revenue and expenditure transactions are translated at the rates of exchange ruling on the dates of the transactions. Gains or losses arising on the translation are reported on as part of the return for the accounting period.

2. DISTRIBUTION POLICY

The revenue from the Fund's investments accumulates during each accounting period. If revenue exceeds expenses during the period, the net revenue of the Fund is available for distribution at share class level to the shareholders in accordance with the regulations.

The allocation of revenue and non class specific expenses is based upon the Fund's assets on the day the revenue is earned or expense is suffered.

The ordinary element of stock dividends, received in lieu of cash dividends, is treated as revenue, and forms part of the distribution. In the case of an enhanced stock dividend, the value of the enhancement is treated as capital and does not form part of the distribution.

3. FINANCIAL RISK MANAGEMENT POLICIES

Strategy in using financial instruments

In pursuing its investment objective, the Fund holds a number of financial instruments. The Fund's financial instruments 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 issue of shares and payables for cancellation of shares and debtors for accrued revenue.

With a view to enhancing returns and/or as part of the investment strategy, the Fund may make use of exchange traded and over-the-counter options, futures and other derivatives for investment or Efficient Portfolio Management (including hedging) purposes. In doing so, the Fund may use derivatives to enhance the level of income earned. This strategy is expected to include taking exposure via a swap on options on equity securities and/or on indices. This is expected to increase the amount of income earned, through receipt of the premiums received for writing the underlying options. However, in certain market circumstances, this may generate capital losses.

Derivatives are used to gear (leverage) the portfolio. Gearing a portfolio would occur if the levels of exposure to the markets exceed the underlying value of the Fund.

The main risks the Fund faces from investing are: (a) market price risk, (b) foreign currency risk, (c) interest rate risk & cash flow risk, (d) liquidity risk and (e) use of derivatives.

These risks and the ACD's policies for managing them are summarised below and have been applied to the Fund throughout the period.

Global Brands Equity Income Fund

Notes to the Financial Statements (continued)

FOR THE PERIOD 30 AUGUST TO 30 SEPTEMBER 2016

(a) Market price risk

The Fund's investment portfolios are exposed to market price fluctuations caused by factors other than interest rate or currency movement.

Price risk arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the British Pounds, the price in the future will also fluctuate because of changes in foreign exchange rates which are considered a component of price risk.

All security investments present a risk of loss of capital arising from uncertainties about future prices of the instruments. The Investment Manager manages this risk through a careful selection of securities and other financial instruments, management of exposure to geographical regions, adherence to investment guidelines, and to investment and borrowing powers set out in the Prospectus.

As at 30 September 2016, if the value of the Fund's portfolio increased or decreased by 5%, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £173,317.

(b) Foreign currency risk and currency exposure

Some of each Fund's monetary and non-monetary financial assets and liabilities are denominated in currencies other than the base currency of that fund. As a result, movements in exchange rates affect the Sterling value of the portfolio, cash and investment purchases and sales. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk.

Foreign exchange risk arises as the value of monetary assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates.

The Fund may enter into derivative transactions in the form of forward foreign exchange contracts. Forward foreign exchange contracts are used to manage currency risk arising from holdings of overseas securities and are disclosed in the financial statements for the individual Funds.

As at 30 September 2016, if the value of Sterling increased or decreased by 1% against all currencies, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £25,647.

The Fund's currency exposure as at 30 September 2016 was:

Currency	Net foreign currency assets		
	Monetary Exposure £	Non-Monetary Exposure £	Total £
Euro	-	541,924	541,924
Japanese Yen	-	87,921	87,921
Swiss Franc	-	167,476	167,476
US Dollar	4,829	1,762,580	1,767,409
Total	4,829	2,559,901	2,564,730

(c) Interest rate risk and cash flow risk

The Fund does not hold fixed income securities therefore interest rate risk is not considered as a material risk.

However, interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates. Cash balances are actively managed to ensure that there is enough liquidity in the Fund to cover any expenses or liabilities, while ensuring that no excess cash sits in the Fund. Any cash is placed on overnight/weekly deposit with the custodian and will be subject to current interest rates.

The Fund's net cash holdings are held in several floating rate deposit accounts with interest determined by rates supplied by the Depository.

Non-interest Cashflows (i.e. dividend income) to the equity Funds may fluctuate depending on the particular decisions made by each issuer.

As the majority of the Fund's financial assets are non-interest bearing, the risk is not considered significant and is therefore not disclosed.

The interest rate risk profile of the Fund's financial assets and liabilities at 30 September 2016 was:

Currency	Floating Rate financial assets £	Financial assets not carrying interest £	Total £
2016			
Euro	-	541,924	541,924
Japanese Yen	-	87,921	87,921
Pound Sterling	64,236	922,574	986,810
Swiss Franc	-	167,476	167,476
US Dollar	-	1,767,409	1,767,409
Total	64,236	3,487,304	3,551,540

Currency	Floating Rate financial liabilities £	Financial liabilities not carrying interest £	Total £
2016			
Pound Sterling	-	25,131	25,131
Total	-	25,131	25,131

The Fund's net cash holdings are held in floating rate deposit accounts with interest determined by rates supplied, based on LIBOR or its International equivalent.

(d) Liquidity risk

The Fund is exposed to daily cash redemptions of redeemable units. The Fund may therefore only invest in securities that are transferable, liquid and have a value that can be accurately determined on each valuation day.

Some securities purchased may subsequently be deemed to be illiquid or have stale prices. If such instances arise, which are infrequent, the securities are reviewed by the Investment Manager on a regular basis and fair valued as appropriate.

All of the Fund's financial assets as at 30 September 2016 are considered to be readily realisable in accordance with the market practices of the exchange on which they are traded.

Global Brands Equity Income Fund

Notes to the Financial Statements (continued)

FOR THE PERIOD 30 AUGUST TO 30 SEPTEMBER 2016

In general, cash is managed to ensure the Fund can meet its liabilities. Where investments cannot be realised in time to meet any potential liability, the Fund may borrow up to 10% of their value to ensure settlement.

All of the Fund's financial liabilities are payable on demand or in less than one year.

The IM's (Investment Manager) liquidity risk management policy is aimed at ensuring consistency with the Fund's underlying obligations and its redemption policy so that the Fund will be in a position to satisfy Shareholders' redemption requests in accordance with the provisions of the Prospectus. The IM will measure and monitor the liquidity of each Fund's assets and will provide reports to the ACD on a periodic basis.

If a Shareholder requests the redemption or cancellation of Shares representing a value which the ACD considers to be substantial in relation to the total value of the relevant Fund, the ACD may arrange that the Fund cancel the Shares and transfer Scheme Property to the Shareholders in lieu of payment of the price for the Shares in cash.

(e) Use of Derivatives and other Investment Techniques

The Fund may employ techniques and instruments relating to Transferable Securities and other financial liquid assets for efficient portfolio management (i.e. to increase or decrease their exposure to changing security prices, interest rates, currency exchange rates or other factors that affect security values) and hedging purposes.

These techniques may include the use of forward currency exchange, total return swaps, futures and other investment techniques. Participation in derivatives transactions involves investment risks and transactions costs to which the Fund would not be subject in the absence of the use of these strategies.

These techniques may increase the volatility of a Fund and may involve a small investment of cash relative to the magnitude of the risk assumed. In addition, these techniques could result in a loss if the counterparty of the transaction does not perform as promised. There can be no assurance that the Investment Manager will be able to successfully hedge the Fund.

Value at Risk

The Value at Risk (VaR) analytic provides a broad indication of the maximum potential loss at a given confidence level, over a specific time period under normal market conditions. The VaR model uses a parametric approach based on a variance / covariance risk factor matrix.

The maximum VaR is 20%. The table below provides the lowest, highest and average percentage of utilization of the VaR limit calculated for the year ended September 2016.

	2016
Lowest	42.95%
Highest	62.43%
Average	45.49%

The fund launched on 30 August 2016 and there is no comparative data available.

Leverage

Average Leverage is calculated as the sum of the notional value of all derivatives in the fund divided by the net asset value. The average gross leverage as at 30 September 2016 was 221%. The fund launched on 30 August 2016 and there is no comparative data available.

4. NET CAPITAL GAINS

	30 Sep 16 (£)
Losses on non-derivative securities	(3,826)
Derivative contracts	(3,443)
Currency gains	31,202
Transaction charges	(1,073)
Net capital gains	22,860

5. REVENUE

	30 Sep 16 (£)
Overseas dividends	6,870
Swap income	6,633
Total revenue	13,503

6. EXPENSES

	30 Sep 16 (£)
Payable to the ACD, associates of the ACD and agents of either of them:	
Management charge	2,517
Administration charge	740
	3,257
Payable to the Depositary, associates of the Depositary and agents of either of them:	
Depositary's fees	824
Safe custody fees	6,907
	7,731
Other expenses:	
Financial Conduct Authority fee	41
Audit fee*	6,000
Printing & production costs	1,010
	7,051
Expenses	18,039
Less ACD reimbursement to revenue	(16,134)
Total expenses	1,905

* The audit fee for the period, excluding VAT, was £5,000.

Global Brands Equity Income Fund

Notes to the Financial Statements (continued)

FOR THE PERIOD 30 AUGUST TO 30 SEPTEMBER 2016

7. TAXATION

(a) Analysis of charge in the period:

	30 Sep 16 (£)
Corporation tax	946
Irrecoverable overseas tax	2,031
Total taxation	2,977

(b) Factors affecting current tax charge for the period:

The tax assessed for the period is higher than the standard rate of corporation tax in the UK for an open ended investment company (20%).

The differences are explained below:

	30 Sep 16 (£)
Net revenue before taxation	11,598
Corporation tax at 20%:	2,320
Effects of:	
Revenue not subject to corporation tax	(1,374)
Irrecoverable overseas tax	2,031
Total tax charge	2,977

8. DISTRIBUTIONS

The distributions take account of equalisation received on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	30 Sep 16 (£)
Interim	-
Final	10,145
Add: Amounts deducted on cancellation of shares	-
Less: Amounts received on issue of shares	-
Net distribution for the period	10,145

Distributions are represented by:

	30 Sep 16 (£)
Net revenue after taxation	8,621
Expenses in Capital	1,905
Double tax relief	(381)
Net distribution for the period	10,145

Details of the distribution per share are set out in the Distribution Tables on page 28.

9. DEBTORS

	30 Sep 16 (£)
Accrued revenue	4,839
Reimbursement of expenses receivable from ACD	16,134
	20,973

10. CASH AND BANK BALANCES

	30 Sep 16 (£)
Cash and bank balances	64,236
	64,236

11. CREDITORS

	30 Sep 16 (£)
Accrued expenses	16,595
Amounts payable to ACD	2,517
Corporation tax payable	946
	20,058

12. RELATED PARTY TRANSACTIONS

Morgan Stanley Investment Management (ACD) Limited, as Authorised Corporate Director (ACD), is a related party, and acts as a principal in respect of all transactions of shares in the Company. The aggregate monies received through issues and paid on redemptions are disclosed in the Statement of Change in Net Assets Attributable to Shareholders. Any amounts due to or from Morgan Stanley Investment Management (ACD) Limited at the end of the accounting period are disclosed in notes 9 and 11.

Amounts payable to Morgan Stanley Investment Management (ACD) Limited in respect of fund administration and management services are disclosed in note 6, and amounts due at the end of the period in note 11.

The amount of fees waived by the ACD in order to reduce the impact such fees have on the performance of the Fund are disclosed in note 6.

The Fund has entered into OTC Swap transactions to which Morgan Stanley acts as a counterparty.

One investor (MSREF VII GLOBAL CAYMAN (LTD)) holds 100% of the Fund as at the period end date and is deemed to be a related party.

13. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Fund had no contingent liabilities or capital commitments at the period end date.

Global Brands Equity Income Fund

Notes to the Financial Statements (continued)

FOR THE PERIOD 30 AUGUST TO 30 SEPTEMBER 2016

14. SHAREHOLDERS' FUNDS

The annual management charges for the Fund are as follows:

Class I 0.85%

The net asset value, the net asset value per share and the number of shares are set out in the comparative Net Asset Values Table on page 19. The distribution per share class is given in the Distribution Tables on page 28.

15. PORTFOLIO TRANSACTION COSTS

Analysis of total trade costs.

For the period ending	Purchases 30 Sep 16 (£)	Sales 30 Sep 16 (£)
Equities	3,490,928	34,915
Swaps	6,839,470	6,834,888
Trades in the period before transaction costs	10,330,398	6,869,803
Commissions		
Equities	1,448	(27)
Swaps	-	-
Total Commissions	1,448	(27)
Taxes		
Equities	4,896	(1)
Swaps	-	-
Total Taxes	4,896	(1)
Total costs	6,344	(28)
Total net trades in the period after transaction costs	10,336,742	6,869,775

In the case of shares, commissions and taxes are paid by the sub-fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the average dealing spread was 1.64%.

Total transaction cost expressed as a percentage of asset types:

For the period ending	Purchases 30 Sep 16 %	Sales 30 Sep 16 %
Commissions		
Equities	0.041	(0.077)
Swaps	-	-
Taxes		
Equities	0.140	(0.003)
Swaps	-	-

Total transaction cost expressed as a percentage of average NAV:

For the period ending	30 Sep 16 %
Commissions	0.042
Taxes	0.139
Total	0.181

16. SHARE RECONCILIATION

Reconciliation of the share movements in the period	30 Sep 2016 I Accumulation	30 Sep 2016 I Income
Opening shares in issue	-	-
Creations during the period	175,000	175,000
Cancellations during the period	-	-
Closing shares in issue	175,000	175,000

17. FAIR VALUE HIERARCHY

Valuation technique	Assets 30 Sep 2016 (£)	Liabilities 30 Sep 2016 (£)
Quoted prices for identical instruments in active markets [^]	3,458,559	-
Valuation techniques using observable market data ^{^^}	7,772	-
Valuation techniques using non-observable market data ^{^^^}	-	-
	3,466,331	-

[^] Fair value based on a quoted price for an identical instrument in an active market and generally will include quoted equities, some highly liquid bonds and exchange traded derivatives.

^{^^} Fair value based on a valuation technique using observable market data and will generally include evaluated pricing techniques using inputs such as quoted prices for similar instruments, interest rates, yield curves and credit spread. This may include publically traded corporate bonds and over-the-counter instruments.

^{^^^} Fair value based on a valuation technique that relies significantly on non-observable market data will include values not primarily derived from observable market data.

The Fund early adopted the FRS102 update made in March 2016.

Global Brands Equity Income Fund

Distribution Tables

FOR THE PERIOD 30 AUGUST 2016 TO 30 SEPTEMBER 2016

FINAL DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased on 30 August 2016

Group 2: shares purchased after 30 August 2016 to 30 September 2016

	Revenue (p)	Equalisation (p)	Distribution payable 30 Nov 2016 (p)
Share Class I – Accumulation*			
Group 1	2.8986	–	2.8986
Group 2	–	–	–
Share Class I – Income*			
Group 1	2.8986	–	2.8986
Group 2	–	–	–

* Fund launched on 30 August 2016, therefore no prior year figures are available.

EQUALISATION

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the average amount of income included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital.

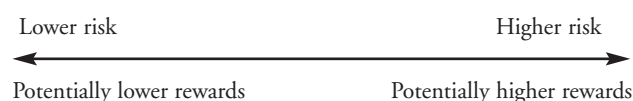
US Advantage Fund

Fund Review

INVESTMENT OBJECTIVE

The objective of the Fund is to provide long term capital appreciation through investment primarily in equity securities issued by US companies.

RISK AND REWARD PROFILE



1	2	3	4	5	6	7
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The risk and reward category shown is based on simulated historic performance data.

- Historic figures are only a guide and may not be a reliable indicator of what may happen in the future.
- As such this category may change in the future.
- The higher the category, the greater the potential reward, but also the greater the risk of losing the investment. Category 1 does not indicate a risk free investment.
- The Fund is in this category because it invests in company shares, and the Fund's simulated and/or realised return has experienced high rises and falls historically.
- The Fund may be impacted by movements in the exchange rates between the Fund's currency and the currencies of the Fund's investments.

This rating does not take into account other risk factors which should be considered before investing, these include:

- The Fund relies on other parties to fulfil certain services, investments or transactions. If these parties become insolvent, it may expose the Fund to financial loss.
- There may be an insufficient number of buyers or sellers which may affect the Fund's ability to buy or sell securities.
- There are increased risks of investing in emerging markets as political, legal and operational systems may be less developed than in developed markets.

PERFORMANCE RECORD AS AT 30 SEPTEMBER 2016

	Share Class I Accumulation 30 Sep 2016 (£)
Change in net assets per share (iii)	
Opening net asset value per share	10.00
Return before operating charges	0.46
Operating charges	(0.10)
Return after operating charges	0.36
Distributions	-
Retained distributions on accumulations shares	-
Closing net asset value per share	10.36
After direct transaction costs of:	0.00
Performance (i)	
Return after operating charges	3.61%
Other information	
Closing net asset value	3,626,274
Closing number of shares	350,000
Operating Charges (ii)	1.00%
Direct transaction costs	0.03%
Prices	
Highest share price	10.45
Lowest share price	10.00

(i) The performance has been calculated in accordance with the Statement of Recommended Practices' prescribed calculation methodology. This is for financial statement reporting purposes only and may differ from the Fund's performance disclosed on the Key Investors document or the Fund's prospectus. Past performance is no guarantee of future returns. In particular, any returns illustrated here will not necessarily continue at the levels shown.

(ii) Operating charges show the annual expenses of the Fund as a percentage of the average net asset value.

(iii) Valued at bid basis.

The Fund was launched 15 September 2016 and there is no comparative data available.

US Advantage Fund

Fund Review (continued)

PERFORMANCE REVIEW

For the period from inception on 15 September 2016 through 30 September 2016, the Fund's I Accumulation class shares outperformed the benchmark, S&P 500 Index by 1.02%, returning 3.61% (net of fees in Sterling) versus 2.60% for the Index.

The Fund launched close to the annual reporting period-end. Such a short time frame would not provide a meaningful performance analysis as short-term returns may not be indicative of the Fund's long-term performance potential.

MARKET REVIEW

In September, the U.S. equity market was preoccupied with the U.S. Federal Reserve's (Fed) mid-month policy meeting, as well as fears that the European Central Bank and Bank of Japan could be reaching the limits of their stimulus policies. Although Fed Chair Janet Yellen said the case for increasing U.S. interest rates was strengthening, the Fed ultimately held rates steady. With economic data released during the month continuing to point to moderate growth, speculation of a Fed rate hike in December increased. Overall, U.S. stock performance was relatively muted in September due to the uncertainties of the Fed's and other central banks' actions, the U.S. presidential election and the upcoming quarterly earnings reporting season.

PORTFOLIO ACTIVITY

At its launch on the 15 September 2016, the Fund was invested primarily in securities issued by U.S. companies and on an ancillary basis in securities issued by companies that are not from the U.S.

STRATEGY & OUTLOOK

The Investment Team seeks high-quality companies, which we define primarily as those with sustainable competitive advantages. Our team continues to focus on bottom-up stock selection and the long-term outlook for companies owned in the Fund.

All information is provided for informational purposes only and should not be deemed as a recommendation to purchase or sell the securities mentioned.

US Advantage Fund

Portfolio Statement (unaudited)

AS AT 30 SEPTEMBER 2016

	Holdings	Investments	Market Value (£)	% of net asset value 30 Sep 2016
Consumer Goods – 13.37%				
Food Producers				
	789	Kraft Heinz	53,894	1.49
	2,680	Mead Johnson Nutrition	161,770	4.46
	1,452	Nestle ADR	89,157	2.46
Personal Goods				
	674	Christian Dior	91,399	2.52
	1,457	Michael Kors	52,690	1.45
	1,206	Under Armour	35,910	0.99
			484,820	13.37
Consumer Services – 24.51%				
General Retailers				
	528	Amazon.com	337,666	9.31
	589	Dollar Tree	35,144	0.97
	365	Home Depot	36,017	0.99
	645	L Brands	34,744	0.96
	656	Tiffany	36,111	1.00
	2,177	TJX	124,019	3.42
Media				
	500	Walt Disney	35,415	0.98
Travel & Leisure				
	38	Chipotle Mexican Grill	12,334	0.34
	2,391	Dunkin Brands	93,475	2.58
	1,728	Marriott International	89,443	2.47
	1,307	Starbucks	53,899	1.49
			888,267	24.51
Financials – 16.79%				
Financial Services				
	2,103	MasterCard	163,214	4.50
	817	MSCI	52,624	1.45
	1,841	S&P Global	177,560	4.90
	1,698	Visa	107,315	2.96
Diversified Financial Services				
	976	Berkshire Hathaway	108,054	2.98
			608,767	16.79
Health Care – 4.46%				
Pharmaceuticals & Biotechnology				
	4,107	Zoetis	161,638	4.46
			161,638	4.46
Industrials – 13.87%				
Aerospace & Defense				
	410	TransDigm	90,751	2.50
	1,815	United Technologies	141,465	3.90
Construction & Materials				
	251	Sherwin-Williams	53,672	1.48
General Industrials				
	920	Danaher	54,738	1.51
	922	Fortive	36,009	0.99
Support Services				
	239	LinkedIn	35,179	0.97
	1,463	Verisk Analytics	91,469	2.52
			503,283	13.87
Oil & Gas – 0.99%				
Oil & Gas Producers				
	588	Phillips 66	35,955	0.99
			35,955	0.99
Technology – 24.40%				
Software & Computer Services				
	293	Alphabet Inc	175,167	4.83
	3,250	Facebook	321,077	8.85
	2,187	Salesforce.com	120,101	3.31
	5,384	Twitter	95,524	2.63
Technology Hardware & Equipment				
	2,002	Apple	173,228	4.78
			885,097	24.40
		Portfolio of investments	3,567,827	98.39
		Net other assets	58,447	1.61
		Net assets	3,626,274	100.00

All holdings are ordinary shares unless otherwise stated.

US Advantage Fund

Statement of Total Return

FOR THE PERIOD 15 SEPTEMBER 2016 TO 30 SEPTEMBER 2016

	Notes	30 Sep 16 (£)	30 Sep 16 (£)
Income			
Net capital gains	4		127,140
Revenue	5	705	
Expenses	6	(1,361)	
Interest payable and similar charges	8	-	
Net expenses before taxation		(656)	
Taxation	7	(210)	
Net expenses after taxation			(866)
Total return before distributions			126,274
Distributions	8		-
Change in net assets attributable to shareholders from investment activities			126,274

Statement of Change in Net Assets Attributable to Shareholders

FOR THE PERIOD 15 SEPTEMBER 2016 TO 30 SEPTEMBER 2016

	30 Sep 16 (£)	30 Sep 16 (£)
Opening net assets attributable to shareholders		-
Amounts received on issue of shares	3,500,000	
Amounts paid on cancellation of shares	-	
		3,500,000
Change in net assets attributable to shareholders from investment activities (see above)		126,274
Retained distribution on accumulation shares		-
Closing net assets attributable to shareholders		3,626,274

Balance Sheet

AS AT 30 SEPTEMBER 2016

	Notes	30 Sep 16 (£)	30 Sep 16 (£)
Assets			
Investment assets			3,567,827
Debtors	9	25,589	
Cash and bank balances	10	62,798	
Total other assets			88,387
Total assets			3,656,214
Liabilities			
Creditors	11	29,940	
Total liabilities			29,940
Net assets attributable to shareholders			3,626,274

The Fund was launched 15 September 2016 and there is no comparative data available.

The accompanying notes are an integral part of these Financial Statements.

US Advantage Fund

Notes to the Financial Statements

FOR THE PERIOD 15 SEPTEMBER TO 30 SEPTEMBER 2016

1. ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds (the "SORP") issued by the Investment Association in May 2014 in compliance with UK GAAP and the adoption of FRS102 the Financial Reporting Standard applicable in the UK.

(b) Revenue

Dividends on equities and preference stocks are recognised when the securities are quoted ex-dividend. Interest receivable from bank deposits is accounted for on an accruals basis.

Special dividends are treated as either capital or revenue depending on the facts of each particular case. Amounts recognised as revenue will form part of the Company's distribution. Any tax treatment thereon will follow the accounting treatment of the principal amount.

(c) Expenses

All expenses, reimbursements and fee waivers are recognised on an accrual basis. Expenses other than those relating to the purchase and sale of investments, are charged against revenue in the Statement of Total Return.

The ACD has chosen to waive part or all of its fee and/or cover other expenses of the Fund in order to reduce the impact that such fees may have on the performance of the Fund. This waiver or reimbursement is entirely voluntary and may be discontinued at any time without notice at the sole discretion of the ACD. The amount of fees waived during the accounting period is shown in note 6.

(d) Taxation

The charge for taxation is based on the net revenue for the year. UK dividend revenue is disclosed net of any related tax credit.

Overseas dividends are disclosed gross of any foreign tax suffered, the tax element being separately disclosed in the taxation note.

Deferred taxation is provided on all timing differences that have originated and not reversed by the Balance Sheet date, other than those differences regarded as permanent. Any liability to deferred tax is provided at the rate at which it is anticipated the timing difference will reverse. Deferred tax assets and liabilities are not discounted to reflect the time value of money, a deferred tax asset is only recognised to the extent that it is expected to crystallise.

(e) Valuation of investments

Market value is defined by the SORP as fair value, which generally is the bid value of each security. To comply with this,

quoted investments have been valued at bid-market value at 12.00pm on the last business day of the accounting period.

Unquoted, illiquid and suspended investments are valued by the ACD at a best assessment of fair value.

(f) Exchange rates

Assets and liabilities denominated in foreign currencies are translated into Sterling at the exchange rate prevailing at 12.00pm on the last business day of the accounting period, 30 September 2016. Revenue and expenditure transactions are translated at the rates of exchange ruling on the dates of the transactions. Gains or losses arising on the translation are reported on as part of the return for the accounting period.

2. DISTRIBUTION POLICY

The revenue from the Fund's investments accumulates during each accounting period. If revenue exceeds expenses during the period, the net revenue of the Fund is available for distribution at share class level to the shareholders in accordance with the regulations.

The allocation of revenue and non class specific expenses is based upon the Fund's assets on the day the revenue is earned or expense is suffered.

The ordinary element of stock dividends, received in lieu of cash dividends, is treated as revenue, and forms part of the distribution. In the case of an enhanced stock dividend, the value of the enhancement is treated as capital and does not form part of the distribution.

3. FINANCIAL RISK MANAGEMENT POLICIES

Strategy in using financial instruments

In pursuing its investment objective, the Fund holds a number of financial instruments. The Fund's financial instruments 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 issue of shares and payables for cancellation of shares and debtors for accrued revenue.

Financial derivative instruments may be used by the Fund for efficient portfolio management, for example to hedge investment exposure or to adjust exposure in a cost effective manner. Derivative instruments held within the Funds will be accounted for in accordance with the SORP for Authorised Funds. Derivative transactions will be treated as either revenue or capital depending on the motives and circumstances on acquisition.

Derivatives are not used to gear (leverage) the portfolio. Gearing a portfolio would occur if the levels of exposure to the markets exceed the underlying value of the Fund.

The main risks the Fund faces from investing are: (a) market price risk, (b) foreign currency risk, (c) interest rate risk & cash flow risk, (d) liquidity risk and (e) use of derivatives.

US Advantage Fund

Notes to the Financial Statements (continued)

FOR THE PERIOD 15 SEPTEMBER TO 30 SEPTEMBER 2016

These risks and the ACD's policies for managing them are summarised below and have been applied to the Fund throughout the period.

(a) Market price risk

The Fund's investment portfolios are exposed to market price fluctuations caused by factors other than interest rate or currency movement.

Price risk arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the British Pounds, the price in the future will also fluctuate because of changes in foreign exchange rates which are considered a component of price risk.

All security investments present a risk of loss of capital arising from uncertainties about future prices of the instruments. The Investment Manager manages this risk through a careful selection of securities and other financial instruments, management of exposure to geographical regions, adherence to investment guidelines, and to investment and borrowing powers set out in the Prospectus.

As at 30 September 2016, if the value of the Fund's portfolio increased or decreased by 5%, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £178,391.

(b) Foreign currency risk and currency exposure

Some of each Fund's monetary and non-monetary financial assets and liabilities are denominated in currencies other than the base currency of that fund. As a result, movements in exchange rates affect the Sterling value of the portfolio, cash and investment purchases and sales. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk. Foreign exchange risk arises as the value of monetary assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates.

The Fund may enter into derivative transactions in the form of forward foreign exchange contracts. Forward foreign exchange contracts are used to manage currency risk arising from holdings of overseas securities and are disclosed in the financial statements for the individual Funds.

As at 30 September 2016, if the value of Sterling increased or decreased by 1% against all currencies, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £35,652.

The Fund's currency exposure as at 30 September 2016 was:

Currency	Net foreign currency assets		Total £
	Monetary Exposure £	Non- Monetary Exposure £	
Euro	–	91,399	91,399
US Dollar	(2,600)	3,476,428	3,473,828
Total	(2,600)	3,567,827	3,565,227

(c) Interest rate risk and cash flow risk

The Fund does not hold fixed income securities therefore interest rate risk is not considered as a material risk.

However, interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates. Cash balances are actively managed to ensure that there is enough liquidity in the Fund to cover any expenses or liabilities, while ensuring that no excess cash sits in the Fund. Any cash is placed on overnight/weekly deposit with the custodian and will be subject to current interest rates.

The Fund's net cash holdings are held in several floating rate deposit accounts with interest determined by rates supplied by the Depository.

Non-interest Cashflows (i.e. dividend income) to the equity Funds may fluctuate depending on the particular decisions made by each issuer.

The interest rate risk profile of the Fund's financial assets and liabilities at 30 September 2016 was:

As the majority of the Fund's financial assets are non-interest bearing, the risk is not considered significant and is therefore not disclosed.

Currency	Floating Rate financial assets £	Financial assets not carrying interest £	Total £
2016			
Euro	–	91,399	91,399
Pound Sterling	62,525	10,693	73,218
US Dollar	273	3,491,324	3,491,597
Total	62,798	3,593,416	3,656,214

Currency	Floating Rate financial liabilities £	Financial liabilities not carrying interest £	Total £
2016			
Pound Sterling	–	12,170	12,170
US Dollar	–	17,770	17,770
Total	–	29,940	29,940

The Fund's net cash holdings are held in floating rate deposit accounts with interest determined by rates supplied, based on LIBOR or its International equivalent.

US Advantage Fund

Notes to the Financial Statements (continued)

FOR THE PERIOD 15 SEPTEMBER TO 30 SEPTEMBER 2016

(d) Liquidity risk

The Fund is exposed to daily cash redemptions of redeemable units. The Fund may therefore only invest in securities that are transferable, liquid and have a value that can be accurately determined on each valuation day.

Some securities purchased may subsequently be deemed to be illiquid or have stale prices. If such instances arise, which are infrequent, the securities are reviewed by the Investment Manager on a regular basis and fair valued as appropriate.

All of the Fund's financial assets as at 30 September 2016 are considered to be readily realisable in accordance with the market practices of the exchange on which they are traded.

In general, cash is managed to ensure the Fund can meet its liabilities. Where investments cannot be realised in time to meet any potential liability, the Fund may borrow up to 10% of their value to ensure settlement.

All of the Fund's financial liabilities are payable on demand or in less than one year.

The IM's (Investment Manager) liquidity risk management policy is aimed at ensuring consistency with the Fund's underlying obligations and its redemption policy so that the Fund will be in a position to satisfy Shareholders' redemption requests in accordance with the provisions of the Prospectus. The IM will measure and monitor the liquidity of each Fund's assets and will provide reports to the ACD on a periodic basis.

If a Shareholder requests the redemption or cancellation of Shares representing a value which the ACD considers to be substantial in relation to the total value of the relevant Fund, the ACD may arrange that the Fund cancel the Shares and transfer Scheme Property to the Shareholders in lieu of payment of the price for the Shares in cash.

(e) Use of Derivatives and other Investment Techniques

The Fund may employ techniques and instruments relating to Transferable Securities and other financial liquid assets for efficient portfolio management (i.e. to increase or decrease their exposure to changing security prices, interest rates, currency exchange rates or other factors that affect security values) and hedging purposes.

These techniques may include the use of forward currency exchange, futures and other investment techniques. Participation in derivatives transactions involves investment risks and transactions costs to which the Fund would not be subject in the absence of the use of these strategies.

These techniques may increase the volatility of a Fund and may involve a small investment of cash relative to the magnitude of the risk assumed. In addition, these techniques could result in a loss if the counterparty of the transaction does not perform as promised. There can be no assurance that the Investment Manager will be able to successfully hedge the Fund.

There were no derivatives held at the accounting period end.

4. NET CAPITAL GAINS

	30 Sep 16 (£)
Gains on non-derivative securities	129,838
Currency losses	(2,582)
Transaction charges	(519)
ACD's reimbursement to capital	403
Net capital gains	127,140

5. REVENUE

	30 Sep 16 (£)
Overseas dividends	705
Total revenue	705

6. EXPENSES

	30 Sep 16 (£)
Payable to the ACD, associates of the ACD and agents of either of them:	
Management charge	1,032
Administration charge	369
	1,401
Payable to the Depositary, associates of the Depositary and agents of either of them:	
Depositary's fees	400
Safe custody fees	3,342
	3,742
Other expenses:	
Financial Conduct Authority fee	20
Audit fee*	6,000
Printing & production costs	489
	6,509
Expenses	11,652
Less ACD reimbursement to revenue	(10,291)
Total expenses	1,361

* The audit fee for the period, excluding VAT, was £5,000.

7. TAXATION

(a) Analysis of charge in the period:

	30 Sep 16 (£)
Overseas tax	210
Total taxation	210

US Advantage Fund

Notes to the Financial Statements (continued)

FOR THE PERIOD 15 SEPTEMBER TO 30 SEPTEMBER 2016

(b) Factors affecting current tax charge for the period:

The tax assessed for the period is higher than the standard rate of corporation tax in the UK for an open ended investment company (20%).

The differences are explained below:

	30 Sep 16 (£)
Net expense before taxation	(656)
Corporation tax at 20%	(131)
Effects of:	
Revenue not subject to corporation tax	(141)
Rebated capital expenses deductible for tax purposes	80
Movement in excess expenses	192
Overseas tax	210
Total tax change	210

(c) Provision for deferred tax

At 30 September 2016 the Fund had surplus management expenses of £957.

It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore a deferred tax asset of £192 has not been recognised.

8. DISTRIBUTIONS

The distributions take account of equalisation received on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	30 Sep 16 (£)
Net distribution for the period	-
Distributions are represented by:	
	30 Sep 16 (£)
Net revenue after taxation	(866)
Tax relief on expenses offset against capital	80
Share class I shortfall funded from capital	786
Net distribution for the period	-

As the expenses exceeded revenue there will be no distribution for the period ended 30 September 2016.

9. DEBTORS

	30 Sep 16 (£)
Accrued revenue	221
Sales awaiting settlement	14,675
Reimbursement of expenses receivable from ACD	10,693
	25,589

10. CASH AND BANK BALANCES

	30 Sep 16 (£)
Cash and bank balances	62,798
	62,798

11. CREDITORS

	30 Sep 16 (£)
Purchases awaiting settlement	17,770
Accrued expenses	11,138
Amounts payable to ACD	1,032
	29,940

12. RELATED PARTY TRANSACTIONS

Morgan Stanley Investment Management (ACD) Limited, as Authorised Corporate Director (ACD), is a related party, and acts as a principal in respect of all transactions of shares in the Company. The aggregate monies received through issues and paid on redemptions are disclosed in the Statement of Change in Net Assets Attributable to Shareholders. Any amounts due to or from Morgan Stanley Investment Management (ACD) Limited at the end of the accounting period are disclosed in notes 9 and 11.

Amounts payable to Morgan Stanley Investment Management (ACD) Limited in respect of fund administration and management services are disclosed in note 6, and amounts due at the end of the period in note 11.

The amount of fees waived by the ACD in order to reduce the impact such fees have on the performance of the Fund are disclosed in note 6.

One investor (MSREF VII GLOBAL CAYMAN (LTD)) holds 100% of the Fund as at the period end date and is deemed to be a related party.

13. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Fund had no contingent liabilities or capital commitments at the period end date.

14. SHAREHOLDERS' FUNDS

The annual management charges for the Fund are as follows:

Class I 0.70%

The net asset value, the net asset value per share and the number of shares are set out in Performance Record on page 29.

US Advantage Fund

Notes to the Financial Statements (continued)

FOR THE PERIOD 15 SEPTEMBER TO 30 SEPTEMBER 2016

15. PORTFOLIO TRANSACTION COSTS

Analysis of total trade costs.

For the period ending	Purchases 30 Sep 16 (£)	Sales 30 Sep 16 (£)
Equities	3,462,644	25,742
Trades in the period before transaction costs	3,462,644	25,742
Commissions		
Equities	907	(4)
Total Commissions	907	(4)
Taxes		
Equities	175	(1)
Total Taxes	175	(1)
Total costs	1,082	(5)
Total net trades in the period after transaction costs	3,463,726	25,737

In the case of shares, commissions and taxes are paid by the sub-fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the average dealing spread was 1.05%.

Total transaction cost expressed as a percentage of asset types:

For the period ending	Purchases 30 Sep 16 %	Sales 30 Sep 16 %
Commissions		
Equities	0.026	(0.016)
Taxes		
Equities	0.005	(0.004)

Total transaction cost expressed as a percentage of average NAV:

For the period ending	30 Sep 16 %
Commissions	0.025
Taxes	0.005
Total	0.030

16. SHARE RECONCILIATION

Reconciliation of the share movements in the period	30 Sep 2016 (£)
	I Accumulation
Opening shares in issue	–
Creations during the period	350,000
Cancellations during the period	–
Closing shares in issue	350,000

17. FAIR VALUE HIERARCHY

Valuation technique	Assets 30 Sep 2016 (£)	Liabilities 30 Sep 2016 (£)
Quoted prices for identical instruments in active markets [^]	3,567,827	–
Valuation techniques using observable market data ^{^^}	–	–
Valuation techniques using non-observable data ^{^^^}	–	–
	3,567,827	–

[^] Fair value based on a quoted price for an identical instrument in an active market and generally will include quoted equities, some highly liquid bonds and exchange traded derivatives.

^{^^} Fair value based on a valuation technique using observable market data and will generally include evaluated pricing techniques using inputs such as quoted prices for similar instruments, interest rates, yield curves and credit spread. This may include publically traded corporate bonds and over-the-counter instruments.

^{^^^} Fair value based on a valuation technique that relies significantly on non-observable market data will include values not primarily derived from observable market data.

The Fund early adopted the FRS102 update made in March 2016.

Sterling Corporate Bond Fund

Fund Review (continued)

PERFORMANCE REVIEW

For the 12-month period ending 30 September 2016, the Fund's I Accumulation class shares underperformed the benchmark Bank of America-Merrill Lynch Sterling Non-Gilt Index by 2.49%, returning 12.51% (net of fees in Sterling) versus 14.32% for the Index.

The underperformance of the Fund was mainly due to the underweight to duration, which averaged 1.63 years over the period. During the period, 5-year Gilts fell 97 basis points (bps) and 10-year Gilt yields fell 102 bps. This explains the bulk of the strong absolute return, and the relative underperformance. The Fund continues to be underweight to duration, viewing the risks posed by Gilt yields to be so low as to be asymmetric, while the underweight acts as a counterbalance to owning credit. The Fund is positioned to be underweight credit in spread duration terms but is overweight some of the higher-beta sectors. Sterling credit spreads were tighter over the period, with Industrials and Utilities outperforming Financials. Most of the tightening was seen in the third quarter of 2016, following the Bank of England's (BoE) announcement that it will purchase non-financial corporate bonds over 18 months. The overall impact of credit positioning was positive.

MARKET REVIEW

The year was dominated by the UK's vote on its membership of the European Union (EU). The UK voted to leave the EU, which caused a sharp rally in core government bond yields as investors sold risky assets in favour of safe havens. All core government yields fell as most curves flattened. BoE Governor Mark Carney emphasized that the Bank has prepared contingency plans to stabilize possible financial stress. Shortly after, the BoE voted to cut the Bank Rate by 25 bps to 0.25% and to start asset purchases over the next 18 months in reaction to possible negative economic effects from 'Brexit'. The BoE will purchase £60 billion of Gilts over six months and £10 billion of corporate bonds over 18 months. The quantitative easing program was a dovish surprise to the markets. The BoE also launched a term funding scheme to provide liquidity to banks, which should help bank earnings in light of lower rates. The announcement caused a sharp rally in Gilts and sterling credit. UK employment growth continued to be robust, stabilising at the end of the period at 4.9%, with some signs of a pickup in wage growth. UK gross domestic product (GDP) growth remained low but positive. We have seen additional stimulus from several major central banks, with the announcement of non-financial investment grade (IG) corporate bond purchases by the European Central Bank (ECB) being the most significant for this portfolio. This announcement caused credit spreads to retrace some of the widening seen in January and February this year. Leading up to the ECB's announcement of

non-financial IG corporate bond purchases, concerns over global and Chinese growth and the implications of Brexit had weighed on the sterling credit market. In currency markets, the sterling depreciated against key currencies following the Brexit vote.

PORTFOLIO ACTIVITY

The Fund has remained active throughout the period, participating in new issues and actively rotating existing issues. During the early part of the period, the Fund increased its exposure to Utilities (adding exposure to names like United Utilities, Yorkshire Water and Scotland Gas Networks), moving from broadly neutral to overweight as valuations became attractive. Towards the end of the period the exposure was reduced, taking profits. The allocation to Financials has remained broadly unchanged during the first half of the period; however, the Fund did increase allocation to bonds higher up the capital structure. Towards the end of the period, the Fund reduced the overweight exposure to Financials. The Fund's exposure to Industrials remained fairly constant (small underweight in spread duration terms) but still overweight some of the higher-beta sectors. The Fund remained underweight to government-related securities, securitised and covered bonds, driven by limited spread pick-up and the existence of more attractive investment opportunities in other segments of the credit market. Exposure to corporate hybrids was broadly constant during the period.

STRATEGY & OUTLOOK

Looking in the near term, we continue to expect an environment of dampened interest-rate volatility, which means a good environment for carry. We expect contrasting forces of slow but stable global growth but perhaps higher inflation expectations to keep long-end rates trading in a range with a slight upward bias. However, given ongoing policy reconsiderations at central banks and a predilection to believe global growth will be higher next year, we are wary of sharp curve steepening and think underweights in risk-free rates provide a good hedge to carry-oriented strategies.

Accommodative policy and low global yields remain supportive of global credit, and we continue to believe the strong technical environment in global credit markets suggests a slow grind tighter into year-end. We believe that credit valuation remains attractive in the sterling space relative to the euro. We remain cautious, however, as we enter the last quarter of 2016, and continue to watch for potential risks.

Sterling Corporate Bond Fund

Fund Review (continued)

We continue to see opportunities in sterling credit (in both IG and high yield), providing we do not enter into a recession that historically has been associated with a pick-up in default rates. There is no evidence as yet to suggest that Brexit is a systemic global shock. In the UK GDP, retail sales and PMI (purchasing managers index) data post-Brexit have been resilient if not surprising to the upside, with the weaker currency seeming to act as a buffer. Our base case is that Article 50 of the Lisbon Treaty, which begins the EU withdrawal process, will be triggered early in 2017. We expect negotiations to be challenging. It is still early days post-Brexit, and we continue to monitor the data (if/when Article 50 is triggered, data post this event may give a better indication of the true impact of Brexit). We will act accordingly as opportunities present themselves.

All information is provided for informational purposes only and should not be deemed as a recommendation to purchase or sell the securities mentioned.

Sterling Corporate Bond Fund

Portfolio Statement (unaudited)

AS AT 30 SEPTEMBER 2016

	Nominal in GBP unless stated	Investments	Market Value (£)	% of net asset value 30 Sep 2016	% of net asset value 30 Sep 2015
Corporate Bonds – 80.58%					
	700,000	ABN AMRO Bank 2.375% 07/12/2021	745,640	0.37	
	550,000	ABN AMRO Bank 2.5% 18/12/2018	571,472	0.28	
	200,000	ABP Finance 6.25% 14/12/2026	269,728	0.13	
	200,000	Aegon 6.125% 15/12/2031	298,640	0.15	
	300,000	Affinity Water Finance 5.875% 13/07/2026	415,173	0.20	
	725,000	Affordable Housing Finance 2.893% 11/08/2045	905,518	0.44	
	450,000	Affordable Housing Finance 3.8% 20/05/2044	641,831	0.31	
	400,000	American Honda Finance 2.625% 14/10/2022	437,520	0.21	
	350,000	Amgen 4% 13/09/2029	423,692	0.21	
	250,000	Anglian Water Osprey Financing 5% 30/04/2023	260,520	0.13	
	150,000	Anglian Water Services Financing 4.5% 22/02/2026	181,999	0.09	
	400,000	Anglian Water Services Financing 6.875% 21/08/2023	548,920	0.27	
	1,100,000	Anheuser-Busch 0.875% 17/03/2022	981,261	0.48	
	1,900,000	Anheuser-Busch 2.75% 17/03/2036	1,982,944	0.97	
	1,775,000	Anheuser-Busch 3.65% 01/02/2026	1,471,908	0.72	
	200,000	Anheuser-Busch 6.5% 23/06/2017	208,060	0.10	
	1,000,000	Apple 3.6% 31/07/2042	1,235,810	0.61	
	800,000	APT Pipelines 4.25% 26/11/2024	914,384	0.45	
	100,000	Areva 3.5% 22/03/2021	82,950	0.04	
	350,000	Areva 4.875% 23/09/2024	306,266	0.15	
	100,000	Arqiva Financing 5.34% 30/12/2037	124,006	0.06	
	500,000	Arrow Global Finance 5.125% 15/09/2024	482,675	0.24	
	600,000	ASB Finance 1% 07/09/2020	597,204	0.29	
	2,000,000	ASIF III Jersey 5.375% 14/10/2016	2,002,480	0.98	
	590,000	ASR 5.125% 29/09/2045	540,856	0.27	
	1,000,000	Aviva 4.375% 12/09/2049	988,250	0.48	
	300,000	Aviva 5.125% 04/06/2050	311,847	0.15	
	250,000	Aviva 6.125% 14/11/2036	283,015	0.14	
	600,000	AXA 7.125% 15/12/2020	735,732	0.36	
	600,000	Bank Nederlandse Gemeenten 0.875% 12/12/2016	600,618	0.29	
	150,000	Bank of America 4.25% 10/12/2026	176,152	0.09	
	1,000,000	Bank of America 5.25% 09/11/2016	1,003,770	0.49	
	250,000	Bank of America 5.5% 22/11/2021	289,645	0.14	
	2,000,000	Bank of Nova Scotia 0.75% 14/09/2021	1,993,700	0.98	
	300,000	BASF 1.375% 15/12/2017	302,922	0.15	
	500,000	BAT International Finance 1.75% 05/07/2021	517,050	0.25	
	900,000	BAT International Finance 4% 23/11/2055	1,236,636	0.61	
	300,000	BAT International Finance 6% 29/06/2022	382,074	0.19	
	700,000	Bayer 3.75% 01/07/2074	615,546	0.30	
	350,000	BHP Billiton Finance 3.25% 25/09/2024	393,515	0.19	
	1,300,000	BHP Billiton Finance 6.5% 22/10/2077	1,446,705	0.71	
	1,000,000	BMW Finance 0.875% 16/08/2022	993,470	0.49	
	300,000	BMW Finance 2.375% 01/12/2021	322,179	0.16	
	600,000	BNP Paribas 1.125% 16/08/2022	598,506	0.29	
	50,000	BNP Paribas 3.5% 07/12/2016	50,240	0.02	
	1,000,000	BNP Paribas 5.75% 24/01/2022	1,176,180	0.58	
	900,000	BP Capital Markets 1.177% 12/08/2023	894,933	0.44	
	800,000	BPCE 5.25% 16/04/2029	923,008	0.45	
	975,000	British Telecommunications 1.75% 10/03/2026	919,155	0.45	
	100,000	BUPA Finance 3.375% 17/06/2021	108,956	0.05	
	900,000	BUPA Finance 5% 25/04/2023	985,455	0.48	
	150,000	Cambridgeshire Housing Capital 4.25% 15/09/2045	190,650	0.09	
	50,000	Canary Wharf Finance II 5.952% 22/10/2037	67,104	0.04	
	450,000	Centrica 5.25% 10/04/2075	464,701	0.23	
	150,000	Cie de Financement Foncier 5.5% 26/01/2027	206,758	0.10	
	300,000	Cie de Saint-Gobain 5.625% 15/12/2016	302,757	0.15	
	225,000	Circle Anglia Social Housing 5.2% 02/03/2044	331,490	0.16	
	1,000,000	Citigroup 5.15% 21/05/2026	1,253,650	0.62	
	150,000	Citigroup 7.375% 01/09/2039	262,812	0.13	
	1,000,000	CNP Assurances 7.375% 30/09/2041	1,130,960	0.55	
	900,000	Comcast 5.5% 23/11/2029	1,279,548	0.63	
	300,000	Commerzbank 4% 23/03/2026	257,398	0.13	
	1,000,000	Commonwealth Bank of Australia 2% 22/04/2027	859,353	0.42	
	200,000	Commonwealth Bank of Australia 2.25% 07/12/2018	206,808	0.10	
	250,000	Commonwealth Bank of Australia 3% 04/09/2026	287,530	0.14	
	300,000	Commonwealth Bank of Australia 4.875% 19/12/2023	318,357	0.16	
	200,000	Compass 3.85% 26/06/2026	241,382	0.12	
	100,000	Constellium 4.625% 15/05/2021	76,161	0.05	
	200,000	Constellium 7% 15/01/2023	165,416	0.08	
	350,000	Cooperatieve Rabobank 2.25% 23/03/2022	369,512	0.18	
	1,000,000	Cooperatieve Rabobank 5.25% 14/09/2027	1,199,990	0.59	
	200,000	Coventry Building Society 5.875% 28/09/2022	249,052	0.12	
	1,000,000	CPUK Finance 2.666% 28/02/2042	1,040,560	0.51	

Sterling Corporate Bond Fund

Portfolio Statement (continued)

AS AT 30 SEPTEMBER 2016

Nominal in GBP unless stated	Investments	Market Value (£)	% of net asset value 30 Sep 2016	% of net asset value 30 Sep 2015
Corporate Bonds – 80.58%				
(continued)				
100,000	Credit Suisse Finance 7% 05/10/2020	116,653	0.06	
600,000	Credit Suisse Funding 2.75% 08/08/2025	595,500	0.29	
700,000	Credit Suisse Funding 3% 27/05/2022	730,667	0.36	
1,000,000	Crh Finance UK 4.125% 02/12/2029	1,213,350	0.60	
350,000	Daimler 1.25% 01/12/2017	351,872	0.17	
150,000	Daimler 1.625% 02/12/2016	150,255	0.07	
250,000	Daimler 2.375% 16/07/2018	256,902	0.13	
350,000	Debenhams 5.25% 15/07/2021	355,250	0.17	
275,000	Deutsche Boerse 2.75% 05/02/2041	247,757	0.12	
260,000	Deutsche Telekom 7.625% 15/06/2030	431,917	0.21	
400,000	Dexia Credit Local 2.125% 12/02/2025	425,664	0.21	
150,000	East Japan Railway 4.5% 25/01/2036	207,568	0.10	
500,000	Eastern Power Networks 5.75% 08/03/2024	650,695	0.32	
1,000,000	EDP Finance 8.625% 04/01/2024	1,366,270	0.67	
1,000,000	EE Finance 4.375% 28/03/2019	1,085,630	0.53	
200,000	Electricite de France 6% 23/01/2114	318,608	0.16	
500,000	Electricite de France 6.125% 02/06/2034	738,680	0.36	
500,000	Electricity North West 8.875% 25/03/2026	813,565	0.40	
700,000	Enel 7.75% 10/09/2075	777,889	0.38	
200,000	Enel Finance 5.75% 14/09/2040	281,684	0.14	
1,000,000	Energias de Portugal 5.375% 16/09/2075	877,741	0.43	
150,000	Engie 7% 30/10/2028	237,412	0.12	
225,000	Experian Finance 3.5% 15/10/2021	249,748	0.12	
682,000	Experian Finance 4.75% 23/11/2018	736,683	0.36	
1,500,000	FCA Capital Ireland 1.625% 29/09/2021	1,486,410	0.73	
125,000	FCE Bank 2.625% 20/11/2018	128,764	0.07	
1,000,000	FCE Bank 2.727% 03/06/2022	1,060,920	0.52	
300,000	FCE Bank 2.759% 13/11/2019	313,092	0.15	
100,000	FCE Bank 3.25% 19/11/2020	107,264	0.05	
50,000	Firstgroup 6.875% 18/09/2024	66,683	0.03	
500,000	Fomento Economico Mexicano 1.75% 20/03/2023	453,874	0.22	
900,000	Friends Life 8.25% 21/04/2022	1,134,954	0.56	
350,000	G4S 7.75% 13/05/2019	401,737	0.20	
100,000	Gatwick Funding 4.625% 27/03/2036	133,235	0.07	
200,000	Gatwick Funding 5.75% 23/01/2039	309,538	0.15	
200,000	GlaxoSmithKline Capital 3.375% 20/12/2027	238,702	0.12	
800,000	Glencore Canada Financial 7.375% 27/05/2020	932,000	0.46	
1,000,000	Goldman Sachs 4.25% 29/01/2026	1,146,580	0.56	
375,000	Goldman Sachs 6.125% 14/05/2017	386,250	0.19	
200,000	Grainger 5% 16/12/2020	216,854	0.11	
185,479	Greater Gabbard 4.137% 29/11/2032	222,912	0.12	
240,000	Grupo Isolux Corsan Finance 6.625% 15/04/2021	36,694	0.02	
735,382	Gwynt y Mor 2.778% 17/02/2034	796,264	0.39	
400,000	Hammerson 1.75% 15/03/2023	357,232	0.18	
1,500,000	Hammerson 3.5% 27/10/2025	1,666,380	0.82	
400,000	Heathrow Funding 2.75% 09/08/2051	422,352	0.21	
1,000,000	Heathrow Funding 6% 20/03/2020	1,154,450	0.57	
1,400,000	Heathrow Funding 6.25% 10/09/2018	1,531,278	0.75	
300,000	High Speed Rail Finance 4.375% 01/11/2038	395,721	0.19	
825,000	Hiscox 6.125% 24/11/2045	873,716	0.43	
900,000	HSBC 2.625% 16/08/2028	905,967	0.44	
500,000	HSBC 5.75% 20/12/2027	595,515	0.29	
400,000	HSBC 6.5% 20/05/2024	516,916	0.25	
1,000,000	Iberdrola Finanzas 7.375% 29/01/2024	1,397,800	0.69	
200,000	IDH Finance 6.25% 15/08/2022	194,910	0.10	
300,000	Imperial Brands Finance 4.875% 07/06/2032	393,297	0.19	
100,000	Imperial Brands Finance 5.5% 22/11/2016	100,561	0.05	
300,000	Imperial Brands Finance 9% 17/02/2022	417,333	0.20	
200,000	ING Bank 6.875% 29/05/2023	214,376	0.11	
1,350,000	innogy Finance 5.5% 06/07/2022	1,633,001	0.80	
600,000	Instituto de Credito Oficial 1.875% 15/12/2017	604,686	0.30	
400,000	InterContinental Hotels 6% 09/12/2016	403,516	0.20	
1,000,000	International Business Machines 2.625% 05/08/2022	1,088,640	0.53	
600,000	International Game Technology 4.75% 15/02/2023	554,596	0.27	
2,000,000	Intesa Sanpaolo 5.25% 28/01/2022	2,247,200	1.10	
200,000	Investor 5.5% 05/05/2037	296,714	0.15	
200,000	IPIC GMTN 6.875% 14/03/2026	277,304	0.14	
900,000	Jaguar Land Rover Automotive 3.875% 01/03/2023	929,520	0.46	
400,000	Jerrold Finco 9.75% 15/09/2018	419,588	0.21	
300,000	John Lewis 4.25% 18/12/2034	340,752	0.17	
200,000	Johnson & Johnson 5.5% 06/11/2024	270,320	0.13	
1,500,000	JPMorgan 3.5% 18/12/2026	1,703,115	0.84	

Sterling Corporate Bond Fund

Portfolio Statement (continued)

AS AT 30 SEPTEMBER 2016

Nominal in GBP unless stated	Investments	Market Value (£)	% of net asset value 30 Sep 2016	% of net asset value 30 Sep 2015
Corporate Bonds – 80.58%				
(continued)				
200,000	Kelda Finance 5.75% 17/02/2020	218,884	0.11	
300,000	Korea Development Bank 2% 20/12/2018	305,226	0.15	
750,000	Legal & General 5.375% 27/10/2045	794,108	0.39	
500,000	Legal & General 5.5% 27/06/2064	513,470	0.25	
500,000	Lloyds Bank 2.5% 01/06/2022	532,100	0.26	
300,000	Lloyds Bank 2.75% 09/12/2018	310,818	0.15	
150,000	Lloyds Bank 5.125% 07/03/2025	195,957	0.10	
1,000,000	Lloyds Bank 7.625% 22/04/2025	1,327,130	0.65	
750,000	London Power Networks 5.125% 31/03/2023	926,963	0.45	
200,000	London Power Networks 5.375% 11/11/2016	200,942	0.10	
100,000	Macquarie Bank 3.5% 18/12/2020	108,905	0.05	
200,000	Manchester Airport 4.125% 02/04/2024	238,656	0.12	
225,000	Manchester Airport 4.75% 31/03/2034	305,901	0.15	
200,000	Marks & Spencer 6.125% 06/12/2021	243,358	0.12	
160,000	Melton Renewable Energy 6.75% 01/02/2020	164,379	0.08	
400,000	Metropolitan Life Global Funding I 2.625% 05/12/2022	431,076	0.21	
200,000	Metropolitan Life Global Funding I 3.5% 30/09/2026	227,120	0.11	
473,500	Mizzen Bondco 7% 01/05/2021	478,235	0.23	
750,000	Mondelez International 3.875% 06/03/2045	859,178	0.42	
1,000,000	Motability Operations 3.625% 10/03/2036	1,277,510	0.63	
500,000	Muenchener Rueckversicherungs-Gesellschaft 6.625% 26/05/2042	590,925	0.29	
500,000	Muenchener Rueckversicherungs-Gesellschaft 7.625% 21/06/2028	546,975	0.27	
400,000	National Australia Bank 1.875% 20/02/2020	413,608	0.20	
200,000	National Australia Bank 3% 04/09/2026	232,286	0.11	
50,000	National Express 6.25% 13/01/2017	50,712	0.02	
150,000	National Express 6.625% 17/06/2020	178,444	0.09	
1,000,000	National Grid Gas Finance 1.125% 22/09/2021	1,006,080	0.49	
1,500,000	National Grid Gas Finance 2.625% 22/09/2038	1,576,950	0.77	
1,000,000	Nationwide Building Society 3% 06/05/2026	1,095,250	0.54	
900,000	Nationwide Building Society 3.25% 20/01/2028	995,490	0.49	
700,000	Nestle 1.75% 09/12/2020	736,155	0.36	
800,000	NGG Finance 5.625% 18/06/2073	897,472	0.44	
750,000	NIE Finance 6.375% 02/06/2026	1,061,498	0.52	
600,000	Nordea Bank 2.375% 02/06/2022	640,692	0.31	
450,000	Northern Gas Networks Finance 4.875% 30/06/2027	587,318	0.29	
400,000	Northern Powergrid Holdings 7.25% 15/12/2022	534,756	0.26	
1,500,000	Northumbrian Water Finance 1.625% 11/10/2026	1,506,675	0.74	
600,000	Northumbrian Water Finance 6.875% 06/02/2023	802,254	0.39	
200,000	Orange 5.375% 22/11/2050	312,442	0.15	
394,000	Origin Energy Finance 7.875% 16/06/2071	358,667	0.18	
600,000	PACCAR Financial Europe 1.513% 29/05/2018	608,190	0.30	
1,100,000	Paragon Treasury 3.625% 21/01/2047	1,282,710	0.63	
100,000	PepsiCo 2.5% 01/11/2022	109,178	0.05	
600,000	Petrobras Global Finance 5.375% 01/10/2029	504,828	0.25	
300,000	Petroleos Mexicanos 8.25% 02/06/2022	364,011	0.18	
200,000	Pfizer 6.5% 03/06/2038	341,376	0.17	
500,000	Pizzaexpress Financing 6.625% 01/08/2021	487,495	0.24	
275,000	Porterbrook Rail Finance 7.125% 20/10/2026	402,498	0.20	
350,000	Prudential 1.375% 19/01/2018	352,068	0.17	
400,000	Prudential 5% 20/07/2055	406,060	0.20	
80,000	Prudential 6.875% 20/01/2023	106,386	0.05	
449,000	QBE Insurance 6.115% 24/05/2042	483,146	0.24	
565,000	RCI Banque 2.125% 06/10/2017	571,277	0.28	
200,000	RELX Investments 2.75% 01/08/2019	208,840	0.10	
400,000	RELX Investments 5.625% 20/10/2016	400,736	0.20	
400,000	RHP Finance 3.25% 05/02/2048	430,876	0.21	
1,200,000	Royal Bank of Scotland 2.5% 22/03/2023	1,039,378	0.51	
150,000	Royal Bank of Scotland 6.625% 17/09/2018	165,576	0.08	
1,000,000	Santander 1.875% 17/02/2020	1,018,850	0.50	
225,000	Santander 6.5% 21/10/2030	294,581	0.14	
1,200,000	Santander Issuances 5.179% 19/11/2025	953,984	0.47	
700,000	Santander UK 3.625% 14/01/2026	743,897	0.36	
450,000	Scentre Trust 2.375% 08/04/2022	472,415	0.23	
300,000	Scentre Trust 3.875% 16/07/2026	352,572	0.17	
1,000,000	Scotland Gas Networks 3.25% 08/03/2027	1,142,160	0.56	
550,000	Scotland Gas Networks 4.875% 21/12/2034	775,137	0.38	
100,000	Scottish Widows 5.5% 16/06/2023	108,784	0.05	
500,000	Segro 5.625% 07/12/2020	588,700	0.29	
450,000	Severn Trent Utilities Finance 6.125% 26/02/2024	600,818	0.29	
200,000	SGSP Australia Assets 3.25% 29/07/2026	156,982	0.08	
750,000	SGSP Australia Assets 5.125% 11/02/2021	868,440	0.43	
250,000	Shell International Finance 2% 20/12/2019	260,372	0.13	

Sterling Corporate Bond Fund

Portfolio Statement (continued)

AS AT 30 SEPTEMBER 2016

Nominal in GBP unless stated	Investments	Market Value (£)	% of net asset value 30 Sep 2016	% of net asset value 30 Sep 2015
Corporate Bonds – 80.58%				
(continued)				
100,000	Siemens Financieringsmaatschappij 3.75% 10/09/2042	134,703	0.07	
650,000	Skandinaviska Enskilda Banken 1.25% 05/08/2022	650,611	0.32	
600,000	SNCF Mobilites 5.375% 18/03/2027	823,218	0.40	
200,000	SNCF Reseau 5.25% 07/12/2028	280,058	0.14	
400,000	Societe Generale 5.4% 30/01/2018	420,616	0.21	
500,000	Southern Electric Power Distribution 4.625% 20/02/2037	691,205	0.34	
200,000	Southern Gas Networks 4.875% 21/12/2020	232,744	0.11	
250,000	Southern Gas Networks 2.5% 03/02/2025	270,637	0.13	
450,000	SP Manweb 4.875% 20/09/2027	583,493	0.29	
350,000	SSE 8.375% 20/11/2028	590,002	0.29	
500,000	Stagecoach 4% 29/09/2025	566,365	0.28	
200,000	Standard Chartered Bank 7.75% 03/04/2018	218,174	0.11	
500,000	Svenska Handelsbanken 2.375% 18/01/2022	533,115	0.26	
300,000	Svenska Handelsbanken 2.75% 05/12/2022	326,190	0.16	
600,000	Swedbank 1.625% 15/04/2019	613,650	0.30	
200,000	Telecom Italia Finance 7.75% 24/01/2033	229,844	0.11	
150,000	Telefonica Emisiones 5.445% 08/10/2029	203,025	0.10	
200,000	Telefonica Emisiones 5.289% 09/12/2022	243,642	0.12	
250,000	Tesco 6.125% 24/02/2022	286,237	0.14	
276,409	Tesco Property Finance 7.6227% 13/07/2039	336,727	0.18	
300,000	Teva Pharmaceutical Finance Netherlands 1.625% 15/10/2028	263,283	0.13	
500,000	Thames Water Utilities Cayman Finance 3.5% 25/02/2028	591,575	0.29	
100,000	Thames Water Utilities Cayman Finance 5.75% 13/09/2030	120,154	0.06	
300,000	Together Housing Finance 4.5% 17/12/2042	394,032	0.19	
700,000	Total Capital International 2.25% 09/06/2022	751,268	0.37	
2,000,000	Toyota Motor 1% 27/09/2022	2,003,400	0.98	
500,000	Transport for London 2.125% 24/04/2025	544,030	0.27	
300,000	Transport for London 3.875% 23/07/2042	417,003	0.20	
100,000	United Parcel Service 5.125% 12/02/2050	168,906	0.08	
600,000	Unitymedia Hessen 4% 15/01/2025	529,905	0.26	
125,000	Verizon Communications 4.75% 17/02/2034	163,116	0.08	
200,000	Virgin Media Finance 6.375% 15/10/2024	207,726	0.10	
300,000	Virgin Media Secured Finance 5.125% 15/01/2025	307,407	0.15	
450,000	Virgin Media Secured Finance 6% 15/04/2021	466,232	0.23	
500,000	Virgin Money 2.25% 21/04/2020	507,575	0.25	
700,000	Vodafone 3% 12/08/2056	679,063	0.33	
400,000	Vodafone 5.375% 05/12/2017	421,148	0.21	
700,000	Volkswagen Financial Services 1.75% 17/04/2020	712,845	0.35	
125,000	Volkswagen Financial Services 2.375% 13/11/2018	127,925	0.06	
225,000	Volkswagen Financial Services 2.75% 02/10/2020	237,976	0.13	
200,000	Voyage Care Bondco 6.5% 01/08/2018	196,888	0.10	
50,000	Washington Mutual Bank 5.5% 10/06/2019*	0	0.00	
675,000	Wells Fargo 2% 28/07/2025	680,137	0.33	
1,000,000	Wells Fargo 2.125% 22/04/2022	1,041,500	0.51	
150,000	Wells Fargo Bank 5.25% 01/08/2023	182,581	0.09	
100,000	Welltower 4.8% 20/11/2028	121,753	0.06	
325,000	Wessex Water Services Finance 4% 24/09/2021	371,459	0.18	
150,000	Wessex Water Services Finance 5.375% 10/03/2028	206,220	0.10	
1,000,000	Western Power Distribution 3.625% 06/11/2023	1,113,710	0.55	
500,000	Western Power Distribution East Midlands 5.25% 17/01/2023	618,710	0.30	
150,000	Western Power Distribution South West 5.875% 25/03/2027	208,330	0.10	
500,000	Western Power Distribution West Midlands 3.875% 17/10/2024	585,790	0.29	
700,000	Westpac Banking 2.625% 14/12/2022	755,937	0.37	
450,000	Westpac Securities 2.5% 13/01/2021	475,403	0.23	
500,000	William Hill 4.875% 07/09/2023	524,565	0.26	
300,000	Wind Acquisition Finance 7% 23/04/2021	269,324	0.13	
500,000	Wm Morrison Supermarkets 4.625% 08/12/2023	572,905	0.28	
300,000	Wm Morrison Supermarkets 4.75% 04/07/2029	347,100	0.17	
816,477	Wods Transmission 3.446% 24/08/2034	928,718	0.46	
1,500,000	WPP Finance 2.875% 14/09/2046	1,451,955	0.71	
500,000	XPO Logistics 5.75% 15/06/2021	436,816	0.21	
1,500,000	Yorkshire Building Society 3.5% 21/04/2026	1,638,105	0.80	
600,000	Yorkshire Building Society 4.125% 20/11/2024	607,422	0.30	
350,000	Yorkshire Building Society 4.75% 12/04/2018	371,847	0.18	
525,000	Yorkshire Housing Finance 4.125% 31/10/2044	655,615	0.32	
1,000,000	Yorkshire Water Services Bradford Finance 3.75% 22/03/2046	1,105,420	0.54	
190,000	Yorkshire Water Services Bradford Finance 6% 24/04/2025	194,604	0.10	
		164,238,633	80.58	75.80

Sterling Corporate Bond Fund

Portfolio Statement (continued)

AS AT 30 SEPTEMBER 2016

	Nominal in GBP unless stated	Investments	Market Value (£)	% of net asset value 30 Sep 2016	% of net asset value 30 Sep 2015
Floating Bonds – 5.31%					
	200,000	ASB Finance 0.95938% 13/03/2017	200,230	0.10	
	200,000	Bank of Nova Scotia 0.68344% 02/11/2017	200,008	0.10	
	650,000	Barclays Bank 0.57875% 12/02/2018	649,935	0.32	
	800,000	Canadian Imperial Bank 0.89963% 11/03/2019	804,016	0.39	
	1,000,000	Danske Bank 0.88275% 04/10/2018	999,830	0.49	
	17,158	E-Carat 0.73713% 18/03/2022	17,167	0.01	
	500,000	Eurosail 1.32938% 13/06/2045	449,583	0.22	
	346,946	Farringdon Mortgages 2.0275% 15/07/2047	316,455	0.16	
	300,000	Hawksmoor Mortgages 1.79627% 25/05/2053	300,689	0.15	
	759,000	Logistics 1.6375% 20/08/2025	758,702	0.37	
	325,000	Logistics 3.7875% 20/08/2025	314,901	0.15	
	602,344	Mortgage Funding 1.47938% 13/03/2046	591,938	0.29	
	500,000	Nationwide Building Society 1.0035% 25/04/2019	503,875	0.25	
	672,784	Oncilla Mortgage Funding 1.77963%	667,806	0.33	
	397,980	Residential Mortgage Securitie 0.78875%	377,243	0.19	
	406,689	ResLoC UK 0.60188%	330,398	0.16	
	1,600,000	Santander 0.87725% 08/07/2019	1,607,408	0.79	
	1,300,000	Skandinaviska Enskilda Banken 0.7875% 19/11/2018	1,303,900	0.64	
	200,000	Toronto-Dominion Bank 0.5875% 20/11/2017	199,910	0.10	
	200,000	Toronto-Dominion Bank 0.90575% 19/01/2018	199,896	0.10	
			10,793,890	5.31	2.61
Government Bonds – 4.91%					
	250,000	Export Development Canada 1.875% 17/12/2018	258,147	0.13	
	750,000	Export-Import Bank of Korea 2% 07/12/2017	758,483	0.37	
	700,000	Italy Government International Bond 6% 04/08/2028	919,100	0.45	
	100,000	Japan Bank for International Cooperation 2.625% 15/12/2020	107,436	0.05	
	175,000	Jersey International Bond 3.75% 09/06/2054	248,594	0.12	
	2,100,000	KFW 1.125% 23/12/2019	2,153,781	1.06	
	2,250,000	KFW 1.375% 01/02/2021	2,343,465	1.15	
	750,000	KFW 1.625% 05/06/2020	785,235	0.39	
	600,000	KFW 6% 07/12/2028	939,630	0.46	
	225,000	Mexico Government International Bond 5.625% 19/03/2114	249,750	0.12	
	1,000,000	Spain Government International Bond 5.25% 06/04/2029	1,249,390	0.61	
			10,013,011	4.91	5.38
Perpetual Call Bonds – 5.98%					
	850,000	Assicurazioni Generali 6.416%	859,537	0.42	
	300,000	Aviva 6.125%	321,012	0.16	
	500,000	AXA 6.772%	534,500	0.26	
	600,000	Banco Bilbao Vizcaya Argentaria 6.75%	476,245	0.23	
	500,000	Banco Santander 6.25%	384,443	0.19	
	50,000	Barclays Bank 8.25%	54,350	0.03	
	50,000	Barclays Bank 14%	62,403	0.03	
	200,000	Coventry Building Society 6.375%	187,850	0.09	
	200,000	DNB Bank 6.0116%	203,280	0.10	
	300,000	Electricite de France 5%	255,615	0.13	
	300,000	Electricite de France 6%	300,774	0.15	
	500,000	ELM BV for Swiss Reinsurance 6.3024%	549,295	0.27	
	300,000	Engie 3.875%	270,164	0.13	
	1,000,000	Gas Natural Fenosa Finance 3.375%	820,811	0.40	
	50,000	Legal & General 5.875%	51,973	0.03	
	600,000	Lloyds Banking 6.375%	518,655	0.25	
	100,000	National Westminster Bank 7.125%	108,380	0.05	
	450,000	Nationwide Building Society 6.875%	426,398	0.21	
	300,000	Repsol International Finance 3.875%	249,682	0.12	
	500,000	RWE 7%	517,935	0.25	
	500,000	Santander UK 7.375%	492,520	0.24	
	1,000,000	Solvay Finance 5.118%	912,252	0.45	
	800,000	Telefonica Europe 4.2%	707,650	0.35	
	1,600,000	Total 3.369%	1,372,512	0.67	
	700,000	Veolia Environnement 4.85%	721,266	0.35	
	750,000	Zurich Finance 6.625%	861,570	0.42	
			12,221,072	5.98	6.82
Supra-national Borrowers – 2.44%					
	400,000	European Bank for Reconstruction & Development 5.125% 07/06/2032	598,408	0.29	
	400,000	European Bank for Reconstruction & Development 5.625% 07/12/2028	594,700	0.29	
	200,000	European Investment Bank 4.625% 12/10/2054	375,514	0.18	
	500,000	European Investment Bank 5.5% 15/04/2025	687,845	0.34	
	1,700,000	European Investment Bank 5.625% 07/06/2032	2,731,135	1.34	
			4,987,602	2.44	3.52

Sterling Corporate Bond Fund

Portfolio Statement (continued)

AS AT 30 SEPTEMBER 2016

	Nominal in GBP unless stated	Investments	Market Value (£)	% of net asset value 30 Sep 2016	% of net asset value 30 Sep 2015
Futures Contracts – (0.07)%					
	(55)	Euro Bobl Futures December 2016	(33,632)	(0.02)	
	(43)	Euro Bund Futures December 2016	(69,995)	(0.03)	
	46	UK Long Gilt Bond Futures December 2016	(24,380)	(0.01)	
	(11)	US 5 Year Note Futures December 2016	(2,652)	0.00	
	(32)	US 10 Year Note Futures December 2016	(14,414)	(0.01)	
	1	US Long Bond Futures December 2016	(273)	0.00	
			(145,346)	(0.07)	0.00
Forward Contracts – (0.10)%					
		Bought EUR1,521,921 for GBP1,314,810 Settlement 06/10/2016	(3,971)	0.00	
		Bought EUR19,930,000 for GBP17,167,463 Settlement 05/10/2016	(2,046)	0.00	
		Sold EUR16,230,000 for GBP13,867,318 Settlement 05/10/2016	(111,343)	(0.05)	
		Sold EUR19,930,000 for GBP17,179,182 Settlement 04/11/2016	219	0.00	
		Sold EUR3,700,000 for GBP3,153,388 Settlement 05/10/2016	(33,368)	(0.02)	
		Sold EUR1,500,000 for GBP1,296,483 Settlement 04/11/2016	3,536	0.00	
		Sold USD3,245,000 for GBP2,435,985 Settlement 14/10/2016	(66,689)	(0.03)	
			(213,662)	(0.10)	0.00
		Portfolio of investments	201,895,200	99.05	94.13
		Net other assets	1,942,487	0.95	5.87
		Net assets	203,837,687	100.00	100.00

* Defaulted security, fair valued.

Sterling Corporate Bond Fund

Portfolio Statement (continued)

AS AT 30 SEPTEMBER 2016

Rating Block	Market Value (£)
AAA	23,089,875
AA+	1,235,810
AA	5,632,648
AA-	10,719,939
A+	9,176,604
A	18,617,483
A-	30,319,581
A-1	-
BBB+	40,313,997
BBB	27,611,299
BBB-	13,933,948
BB+	9,167,953
BB	4,039,529
BB-	3,240,820
B+	2,461,193
B	2,074,506
CCC+	241,577
CC	36,694
Unrated	340,752
Portfolio of investments*	202,254,208

* Excludes Futures contracts and forwards.
Source: Bloomberg composite.

Financial derivative instrument risk exposure

The exposure obtained through financial derivative instruments and identity of counterparties as at 30 September 2016 was as follows:

Futures Contracts

Counterparty	Contracts	Notional value (£)	Value of exposure (£)
Goldman Sachs	(94)	22,861,268	(145,346)
Total	(94)	22,861,268	(145,346)

Forward Currency Exchange Contracts

Maturity date	Amount bought	Amount bought	Ccy	Amount sold	Ccy	Counterparty	Unrealised gain/(loss) (£)
04/11/2016	7,475,755	1,296,483	GBP	1,500,000	Euro	Royal Bank of Canada	3,536
04/11/2016	7,890,267	17,179,182	GBP	19,930,000	Euro	HSBC	219
Unrealised gain on Forward Contracts							3,755
05/10/2016	406,979	13,867,318	GBP	16,230,000	Euro	HSBC	(111,343)
14/10/2016	4,785,389	2,435,985	GBP	3,245,000	USD	HSBC	(66,689)
05/10/2016	10,680,000	3,153,388	GBP	3,700,000	Euro	Royal Bank of Canada	(33,368)
06/10/2016	4,785,389	1,521,921	Euro	1,314,810	GBP	Royal Bank of Canada	(3,971)
05/10/2016	10,680,000	19,930,000	Euro	17,167,463	GBP	HSBC	(2,046)
Unrealised loss on Forward Contracts							(217,417)
Total unrealised loss on Forward Contracts							(213,662)

Sterling Corporate Bond Fund

Portfolio Statement (continued)

AS AT 30 SEPTEMBER 2016

Financial derivative instrument risk exposure

The exposure obtained through financial derivative instruments and identity of counterparties as at 30 September 2015 was as follows:

Futures Contracts

Counterparty	Contracts	Notional value (£)	Value of exposure (£)
Goldman Sachs	(5)	(1,562,072)	322
Total	(5)	(1,562,072)	322

Forward Currency Exchange Contracts

Maturity date	Amount bought	Ccy	Amount sold	Ccy	Counterparty	Unrealised gain/(loss) (£)
06/10/2015	7,475,755	GBP	10,120,000	Euro	HSBC	7,514
05/11/2015	7,890,267	GBP	10,680,000	Euro	JP Morgan	4,026
Unrealised gain on Forward Currency Contracts						11,540
06/10/2015	406,979	GBP	560,000	Euro	HSBC	(6,283)
15/10/2015	475,389	GBP	730,000	USD	HSBC	(4,938)
06/10/2015	10,680,000	Euro	7,886,112	GBP	JP Morgan	(4,608)
Unrealised loss on Forward Currency Contracts						(15,829)
Total unrealised loss on Forward Currency Contracts						(4,289)

Sterling Corporate Bond Fund

Statement of Total Return

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Notes	30 Sep 16 (£)	30 Sep 16 (£)	30 Sep 15 (£)	30 Sep 15 (£)
Income					
Net capital gains/(losses)	4		13,511,684		(1,782,156)
Revenue	5	5,054,383		2,972,483	
Expenses	6	(425,088)		(247,749)	
Interest payable and similar charges		(1,127)		(395)	
Net revenue before taxation		4,628,168		2,724,339	
Taxation	7	(817)		(75)	
Net revenue after taxation			4,627,351		2,724,264
Total return before distributions			18,139,035		942,108
Distributions	8		(4,627,324)		(2,724,908)
Change in net assets attributable to shareholders from investment activities			13,511,711		(1,782,800)

Statement of Change in Net Assets Attributable to Shareholders

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	30 Sep 16 (£)	30 Sep 16 (£)	30 Sep 15 (£)	30 Sep 15 (£)
Opening net assets attributable to shareholders		125,592,525		48,691,076
Amounts received on issue of shares	70,741,631		85,357,465	
Less: Amounts paid on cancellation of shares	(8,003,965)		(7,853,191)	
		62,737,666		77,504,274
Dilution adjustments		93,773		140,392
Change in net assets attributable to shareholders from investment activities		13,511,711		(1,782,800)
Retained distribution on accumulation shares		1,902,012		1,039,583
Closing net assets attributable to shareholders		203,837,687		125,592,525

Balance Sheet

AS AT 30 SEPTEMBER 2016

	Notes	30 Sep 16 (£)	30 Sep 16 (£)	30 Sep 15 (£)	30 Sep 15 (£)
Assets					
Investment assets			202,257,964		118,299,987
Debtors	9	6,953,332		2,578,652	
Cash and bank balances	10	2,201,442		6,115,331	
Total other assets			9,154,774		8,693,983
Total assets			211,412,738		126,993,970
Liabilities					
Investment liabilities			362,764		75,287
Creditors	11	6,062,256		748,306	
Distribution payable on income shares		1,150,031		577,852	
Total other liabilities			7,212,287		1,326,158
Total liabilities			7,575,051		1,401,445
Net assets attributable to shareholders			203,837,687		125,592,525

The accompanying notes are an integral part of these Financial Statements.

Sterling Corporate Bond Fund

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2016

1. ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds (the "SORP") issued by the Investment Association in May 2014 in compliance with UK GAAP and the adoption of FRS102 the Financial Reporting Standard applicable in the UK.

(b) Revenue

Interest receivable from bank deposits is accounted for on an accruals basis. Interest from debt securities is accounted for on an effective rate basis. Future cash flow on all debt securities are considered when calculating revenue on an effective yield basis and where purchase costs are considered to reflect incurred credit losses, such losses are taken into account so that interest is recognised at a reasonably expected commercial rate. Accrued interest purchased and sold on interest-bearing securities is excluded from the capital cost of these securities and dealt with as part of the revenue of the Company.

(c) Expenses

All expenses, reimbursements and fee waivers are recognised on an accrual basis. Expenses other than those relating to the purchase and sale of investments, are charged against revenue in the Statement of Total Return.

The ACD has chosen to waive part or all of its fee and/or cover other expenses of the Fund in order to reduce the impact that such fees may have on the performance of the Fund. This waiver or reimbursement is entirely voluntary and may be discontinued at any time without notice at the sole discretion of the ACD. The amount of fees waived during the accounting period is shown in note 6.

(d) Taxation

The charge for taxation is based on the net revenue for the year.

Deferred taxation is provided on all timing differences that have originated and not reversed by the Balance Sheet date, other than those differences regarded as permanent. Any liability to deferred tax is provided at the rate at which it is anticipated the timing difference will reverse. Deferred tax assets and liabilities are not discounted to reflect the time value of money, a deferred tax asset is only recognised to the extent that it is expected to crystallise.

(e) Valuation of investments

Market value is defined by the SORP as fair value, which generally is the bid value of each security. To comply with this, quoted investments have been valued at bid-market value at 12.00pm on the last business day of the accounting period, net of any accrued interest, which is included in the Balance Sheet as revenue.

Unquoted, illiquid and suspended investments are valued by the ACD at a best assessment of fair value.

(f) Exchange rates

Assets and liabilities denominated in foreign currencies are translated into Sterling at the exchange rate prevailing at 12.00pm on the last business day of the accounting period, 30 September 2016. Revenue and expenditure transactions are translated at the rates of exchange ruling on the dates of the transactions. Gains or losses arising on the translation are reported on as part of the return for the accounting period.

2. DISTRIBUTION POLICY

The revenue from the Fund's investments accumulates during each accounting period. If revenue exceeds expenses during the period, the net revenue of the Fund is available for distribution at share class level to the shareholders in accordance with the regulations.

The allocation of revenue and non class specific expenses is based upon the proportion of the Fund's assets attributable to each share class, on the day the revenue is earned or expense is suffered. Income equalisation and the annual management charge, are specific to each share class.

3. FINANCIAL RISK MANAGEMENT POLICIES

Strategy in using financial instruments

In pursuing its investment objective, the Fund holds a number of financial instruments. The Fund's financial instruments 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 issue of shares and payables for cancellation of shares and debtors for accrued revenue.

Financial derivative instruments may be used by the Fund for efficient portfolio management, for example to hedge investment exposure or to adjust exposure in a cost effective manner. Derivative instruments held within the Funds will be accounted for in accordance with the SORP for Authorised Funds.

Derivative transactions will be treated as either revenue or capital depending on the motives and circumstances on acquisition.

Derivatives are not used to gear (leverage) the portfolio. Gearing a portfolio would occur if the levels of exposure to the markets exceed the underlying value of the Fund.

The main risks the Fund faces from investing are:

(a) market price risk, (b) foreign currency risk, (c) interest rate risk & cash flow risk, (d) liquidity risk, (e) credit risk & default risk, and (f) use of derivatives.

These risks and the ACD's policies for managing them are summarised below and have been applied to all the Funds throughout the year and the prior year.

Sterling Corporate Bond Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

(a) Market price risk

The Fund's investment portfolios are exposed to market price fluctuations caused by factors other than interest rate or currency movement.

Price risk arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the British Pounds, the price in the future will also fluctuate because of changes in foreign exchange rates which are considered a component of price risk.

All securities investments present a risk of loss of capital arising from uncertainties about future prices of the instruments. The Investment Manager manages this risk through a careful selection of securities and other financial instruments, management of exposure to geographical regions, adherence to investment guidelines, and to investment and borrowing powers set out in the Prospectus.

As at 30 September 2016, if the value of the Fund's portfolio increased or decreased by 5%, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £10,112,898 (2015: £5,911,235).

(b) Foreign currency risk and currency exposure

Some of each Funds' monetary and non-monetary financial assets and liabilities are denominated in currencies other than the base currency of that fund. As a result, movements in exchange rates affect the Sterling value of the portfolio, cash and investment purchases and sales. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk. Foreign exchange risk arises as the value of monetary assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates.

The Funds may enter into derivative transactions in the form of forward foreign exchange contracts. Forward foreign exchange contracts are used to manage currency risk arising from holdings of overseas securities and are disclosed in the financial statements for the individual Funds.

As at 30 September 2016, if the value of Sterling increased or decreased by 1% against all currencies, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £196,221 (2015: £78,668).

The Fund's currency exposure as at 30 September 2016 was:

Currency	Net foreign currency assets		Total £
	Monetary Exposure £	Non- Monetary Exposure £	
Euro	(1,330,590)	18,410,446	17,079,856
US Dollar	(40,646)	2,582,874	2,542,228
Total	(1,371,236)	20,993,320	19,622,084

The Fund's currency exposure as at 30 September 2015 was:

Currency	Net foreign currency assets		Total £
	Monetary Exposure £	Non- Monetary Exposure £	
Euro	19,616	7,362,398	7,382,014
US Dollar	30,072	454,741	484,813
Total	49,688	7,817,139	7,866,827

(c) Interest rate risk and cash flow risk

The revenue of the Fund may be affected by changes in interest rates relevant to particular securities, or as a result of the Fund Manager being unable to invest in securities with similar interest rate profiles on expiration of existing contracts or sale of securities. Interest rate movements in the future, or the expectation of such movements, may affect the value of fixed interest securities.

Duration is used as the primary measure of interest rate risk, and is measure in a daily basis.

The Investment Manager ensures that the Fund's weighted average duration is, where applicable, within a range that is in line with the Fund's investment objectives and is monitored on a daily basis by Morgan Stanley Investment Management ("IM")'s Compliance department. In addition, risk factors such as interest rate risk are measured monthly by the Global Risk and Analysis team ("GRA"). Specifically, the risk management team utilises the BlackRock Aladdin risk platform, a fixed income analytics toolkit that has security modelling capabilities. GRA also uses Aladdin to produce Tracking Error Volatility, which shows the overall interaction of interest rate risk with other modelled risks as they apply to the Fund. Analytics are supplemented with position analysis to monitor relative weights and durations of the Fund's portfolio relative to the benchmark.

Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates. Cash balances are actively managed to ensure that there is enough liquidity in the Fund to cover any expenses or liabilities, while ensuring that no excess cash sits in the Fund. Any cash is placed on overnight/weekly deposit with the custodian and will be subject to current interest rates.

Sterling Corporate Bond Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

The Fund's net cash holdings are held in several floating rate deposit accounts with interest determined by rates supplied by the Depositary.

As at 30 September 2016, if the value of interest increased or decreased by 1%, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £13,267,876 (2015: £7,897,675).

The interest rate risk profile of the Fund's financial assets and liabilities at 30 September 2016 was:

Currency	Floating Rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
2016				
Euro	65,795	18,641,615	686,452	19,393,862
Pound Sterling	12,911,904	173,412,406	3,068,310	189,392,620
US Dollar	17,633	2,608,623	-	2,626,256
Total	12,995,332	194,662,644	3,754,762	211,412,738
2015				
Euro	19,621	7,314,919	115,754	7,450,294
Pound Sterling	9,333,855	106,530,147	2,531,726	118,395,728
US Dollar	30,086	1,115,369	2,493	1,147,948
Total	9,383,562	114,960,435	2,649,973	126,993,970

Currency	Floating Rate financial liabilities £	Financial liabilities not carrying interest £	Total £
2016			
Euro	-	2,314,006	2,314,006
Pound Sterling	-	5,177,017	5,177,017
US Dollar	-	84,028	84,028
Total	-	7,575,051	7,575,051
2015			
Euro	-	68,280	68,280
Pound Sterling	-	670,030	670,030
US Dollar	-	663,135	663,135
Total	-	1,401,445	1,401,445

The Fund's net cash holdings are held in floating rate deposit accounts with interest determined by rates supplied, based on LIBOR or its International equivalent.

(d) Liquidity risk

Each Fund is exposed to daily cash redemptions of redeemable units. The Fund may therefore only invest in securities that are transferable, liquid and have a value that can be accurately determined on each valuation day.

Some securities purchased may subsequently be deemed to be illiquid or have stale prices. If such instances arise, which are

infrequent, the securities are reviewed by the Investment Manager on a regular basis and fair valued as appropriate.

All of the Fund's financial assets as at 30 September 2016 except as specified are considered to be readily realisable in accordance with the market practices of the exchange on which they are traded.

In general, cash is managed to ensure the Funds can meet their liabilities. Where investments cannot be realised in time to meet any potential liability, Fund may borrow up to 10% of their value to ensure settlement.

All of the Fund's financial liabilities are payable on demand or in less than one year.

The IM's (Investment Manager) liquidity risk management policy is aimed at ensuring consistency with each Fund's underlying obligations and its redemption policy so that each Fund will be in a position to satisfy Shareholders' redemption requests in accordance with the provisions of the Prospectus. The IM will measure and monitor the liquidity of each Fund's assets and will provide reports to the ACD on a periodic basis.

If a Shareholder requests the redemption or cancellation of Shares representing a value which the ACD considers to be substantial in relation to the total value of the relevant Fund, the ACD may arrange that the fund cancel the Shares and transfer Scheme Property to the Shareholders in lieu of payment of the price for the Shares in cash.

(e) Credit risk and default risk

Certain transactions in securities that each of the Fund enter into expose them to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its responsibilities. The Fund only buy and sell investments through brokers which have been approved by the ACD as acceptable counterparties.

The Fund invests in fixed and floating rate securities. The value of these securities would be adversely affected if the issuer were unable to pay the contractual interest or principal.

IM's methods of controlling credit risk include appropriate diversification of the Fund's portfolio and limits on maximum exposure per issuer that comply with Morgan Stanley's investment restrictions, which in some cases are more restrictive than the UCITS requirement.

Exposures are monitored to ensure they comply with each Funds' investment restrictions and, where applicable, investment objectives. IM's Compliance and Operations departments review internal limits, report all breaches and escalate non-compliance to all relevant areas as appropriate. In addition, the Risk Management department maintains oversight of credit and default risk.

Sterling Corporate Bond Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

The carrying amount of each fund's financial assets best represents the maximum exposure to credit risk.

(f) Use of Derivatives and other Investment Techniques

The Fund may employ techniques and instruments relating to Transferable Securities and other financial liquid assets for efficient portfolio management (i.e. to increase or decrease their exposure to changing security prices, interest rates, currency exchange rates or other factors that affect security values) and hedging purposes.

These techniques may include the use of forward currency exchange, futures and other investment techniques.

Participation in derivatives transactions involves investment risks and transactions costs to which the Fund would not be subject in the absence of the use of these strategies.

These techniques may increase the volatility of a Fund and may involve a small investment of cash relative to the magnitude of the risk assumed. In addition, these techniques could result in a loss if the counterparty of the transaction does not perform as promised. There can be no assurance that the Investment Manager will be able to successfully hedge the Fund.

4. NET CAPITAL GAINS/(LOSSES)

	30 Sep 16 (£)	30 Sep 15 (£)
Gains/(losses) on non-derivative securities	16,209,040	(1,390,306)
Losses on derivative contracts	(2,716,314)	(265,857)
Currency gains/(losses)	26,738	(118,855)
Transaction charges	(11,050)	(10,750)
ACD's reimbursement to capital	3,270	3,612
Net capital gains/(losses)	13,511,684	(1,782,156)

5. REVENUE

	30 Sep 16 (£)	30 Sep 15 (£)
Interest on debt securities	5,052,226	2,968,278
Bank interest	2,157	4,205
Total revenue	5,054,383	2,972,483

6. EXPENSES

	30 Sep 16 (£)	30 Sep 15 (£)
Payable to the ACD, associates of the ACD and agents of either of them:		
Management charge	297,024	176,286
Administration charge	380,255	218,370
	677,279	394,656
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	25,226	19,478
Safe custody fees	15,702	12,960
	40,928	32,438
Other expenses:		
Financial Conduct Authority fee	480	486
Audit fee*	9,391	9,450
Professional fees	28,512	17,030
Printing & production costs	5,728	18,613
	44,111	45,579
Expenses	762,318	472,673
Less ACD reimbursement to revenue	(337,230)	(224,924)
Total expenses	425,088	247,749

* The audit fee for the year, excluding VAT, was £7,850 (2015: £7,875).

The Depositary fee has been increased from 1.35bps to 1.55bps per annum from 19 August 2016.

7. TAXATION

(a) Analysis of charge in the year:

	30 Sep 16 (£)	30 Sep 15 (£)
Corporation tax	817	593
Prior year adjustments	-	(518)
Total taxation	817	75

(b) Factors affecting current tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an open ended investment company (20%).

The differences are explained below:

	30 Sep 16 (£)	30 Sep 15 (£)
Net revenue before taxation	4,628,168	2,724,339
Corporation tax at 20% (2015: 20%)	925,633	544,868
Effects of:		
Tax deductible interest distributions	(925,470)	(544,997)
Income tax written off	-	(518)
ACD's reimbursement to capital	654	722
Total tax charge	817	75

Sterling Corporate Bond Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

8. DISTRIBUTIONS

The distributions take account of equalisation received on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	30 Sep 16 (£)	30 Sep 15 (£)
Interim	2,935,930	1,633,494
Final	1,060,375	679,646
	3,996,305	2,313,140
Add: Amounts deducted on cancellation of shares	26,671	27,285
Less: Amounts received on issue of shares	(321,122)	(160,514)
Income tax withheld at source	925,470	544,997
Net distribution for the year	4,627,324	2,724,908

Distributions are represented by:

	30 Sep 16 (£)	30 Sep 15 (£)
Net revenue after taxation	4,627,351	2,724,264
Capital Income	–	722
Movement on revenue account	(27)	(78)
Net distribution for the year	4,627,324	2,724,908

Details of the distribution per share are set out in the Distribution Tables on pages 57 to 61.

9. DEBTORS

	30 Sep 16 (£)	30 Sep 15 (£)
Accrued revenue	3,222,402	2,237,682
Amounts receivable for issue of shares	1,176,707	305,600
Sales awaiting settlement	2,409,186	–
Reimbursement of expenses receivable from ACD	145,037	35,370
	6,953,332	2,578,652

10. CASH AND BANK BALANCES

	30 Sep 16 (£)	30 Sep 15 (£)
Cash and bank balances	1,715,142	5,831,572
Amount held at futures clearing houses and brokers	486,300	283,759
	2,201,442	6,115,331

11. CREDITORS

	30 Sep 16 (£)	30 Sep 15 (£)
Purchases awaiting settlement	5,650,463	656,129
Accrued expenses	183,173	47,945
Amounts payable to ACD	116,344	20,030
Amount payable for cancellation of shares	111,459	23,609
Corporation tax payable	817	593
	6,062,256	748,306

12. RELATED PARTY TRANSACTIONS

Morgan Stanley Investment Management (ACD) Limited, as Authorised Corporate Director (ACD), is a related party, and acts as a principal in respect of all transactions of shares in the Company. The aggregate monies received through issues and paid on redemptions are disclosed in the Statement of Change in Net Assets Attributable to Shareholders. Any amounts due to or from Morgan Stanley Investment Management (ACD) Limited at the end of the accounting year are disclosed in notes 9 and 11.

Amounts payable to Morgan Stanley Investment Management (ACD) Limited in respect of fund administration and management services are disclosed in note 6, and amounts due at the end of the year in note 11.

The amount of fees waived by the ACD in order to reduce the impact such fees have on the performance of the Fund are disclosed in note 6.

There are no material shareholders (2015: 86%) in the Fund.

13. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Fund had no contingent liabilities or capital commitments at the year end date (2015: £nil).

14. SHAREHOLDERS' FUNDS

The annual management charges for the Fund are as follows:

Class A 0.75%

Class I 0.25%

Class F 0.15%

The net asset value, the net asset value per share and the number of shares are set out in the Performance Record on pages 38 and 39.

The distribution per share class is given in the Distribution Tables on pages 57 to 61.

Sterling Corporate Bond Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

15. PORTFOLIO TRANSACTION COSTS

Analysis of total trade costs.

For the year ending	Purchases		Sales	
	30 Sep 16 (£)	30 Sep 15 (£)	30 Sep 16 (£)	30 Sep 15 (£)
Bonds	169,397,151	155,662,535	100,465,663	82,108,897
Trades in the year before transaction costs	169,397,151	155,662,535	100,465,663	82,108,897
Commissions				
Futures	1,077	803	(1,064)	(715)
Total Commissions	1,077	803	(1,064)	(715)
Total costs	1,077	803	(1,064)	(715)
Total net trades in the year after transaction costs	169,398,228	155,663,338	100,464,599	82,108,182

In the case of shares, commissions and taxes are paid by the sub-fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the average dealing spread was 0.74% (2015: 0.81%).

16. SHARE RECONCILIATION

Reconciliation of the share movements in the year

	30 Sep 2016 (£)			
	A Accumulation	A Income	I Accumulation	I Income
Opening shares in issue	135,084	41,519	1,435,109	200,860
Creations during the year	84,670	14,995	310,196	1,614,980
Cancellations during the year	(52,792)	(8,723)	(39,506)	(58,670)
Closing shares in issue	166,962	47,791	1,705,799	1,757,170
	F Accumulation		F Income	
Opening shares in issue			24,202,002	58,634,836
Creations during the year			20,670,251	11,532,974
Cancellations during the year			(3,479,562)	(784,772)
Closing shares in issue			41,392,691	69,383,038

17. FAIR VALUE HIERARCHY

Valuation technique	Assets	Liabilities	Assets*	Liabilities*
	30 Sep 2016 (£)	30 Sep 2016 (£)	30 Sep 2015 (£)	30 Sep 2015 (£)
Quoted prices for identical instruments in active markets [^]	2,387,959	(145,346)	2,159,414	(59,458)
Valuation techniques using observable market data ^{^^}	199,870,004	(217,417)	116,140,550	(15,829)
Valuation techniques using non-observable data ^{^^^}	-	-	23	-
	202,257,963	(362,763)	118,299,987	(75,287)

[^] Fair value based on a quoted price for an identical instrument in an active market and generally will include quoted equities, some highly liquid bonds and exchange traded derivatives.

^{^^} Fair value based on a valuation technique using observable market data and will generally include evaluated pricing techniques using inputs such as quoted prices for similar instruments, interest rates, yield curves and credit spread. This may include publically traded corporate bonds and over-the-counter instruments.

^{^^^} Fair value based on a valuation technique that relies significantly on non-observable market data will include values not primarily derived from observable market data.
* Prior year figures have been updated to be in line with current year disclosure.

The Fund early adopted the FRS102 update made in March 2016.

Sterling Corporate Bond Fund

Distribution Tables

FOR THE YEAR ENDED 30 SEPTEMBER 2016

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 October 2015

Group 2: shares purchased between 1 October 2015 and 31 March 2016

	Gross revenue (p)	Income tax (p)	Net revenue (p)	Equalisation (p)	Distribution paid 31 May 2016 (p)	Distribution paid 31 May 2015 (p)
Share Class A – Accumulation						
Group 1	27.3846	5.4769	21.9077	–	21.9077	21.8200
Group 2	9.4085	1.8817	7.5268	14.3809	21.9077	21.8200
Share Class A – Income						
Group 1	18.2700	3.6540	14.6160	–	14.6160	14.8585
Group 2	8.6144	1.7229	6.8915	7.7245	14.6160	14.8585
Share Class I – Accumulation						
Group 1	36.4075	7.2815	29.1260	–	29.1260	28.8244
Group 2	15.0103	3.0021	12.0082	17.1178	29.1260	28.8244
Share Class I – Income						
Group 1	22.8689	4.5738	18.2951	–	18.2951	18.5998
Group 2	12.1989	2.4398	9.7591	8.5360	18.2951	18.5998

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 October 2015

Group 2: shares purchased between 1 October 2015 and 31 October 2015

	Gross revenue (p)	Income tax (p)	Net revenue (p)	Equalisation (p)	Distribution paid 31 Dec 2015 (p)	Distribution paid 31 Dec 2014 (p)
Share Class F – Accumulation						
Group 1	0.2829	0.0566	0.2263	–	0.2263	0.2490
Group 2	0.1245	0.0249	0.0996	0.1267	0.2263	0.2490
Share Class F – Income						
Group 1	0.2720	0.0544	0.2176	–	0.2176	0.2470
Group 2	0.1731	0.0346	0.1385	0.0791	0.2176	0.2470

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 November 2015

Group 2: shares purchased between 1 November 2015 and 30 November 2015

	Gross revenue (p)	Income tax (p)	Net revenue (p)	Equalisation (p)	Distribution paid 31 Jan 2016 (p)	Distribution paid 31 Jan 2015 (p)
Share Class F – Accumulation						
Group 1	0.2964	0.0593	0.2371	–	0.2371	0.2208
Group 2	0.1345	0.0269	0.1076	0.1295	0.2371	0.2208
Share Class F – Income						
Group 1	0.2831	0.0566	0.2265	–	0.2265	0.2169
Group 2	0.1658	0.0332	0.1326	0.0939	0.2265	0.2169

Sterling Corporate Bond Fund

Distribution Tables (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 December 2015

Group 2: shares purchased between 1 December 2015 and 31 December 2015

	Gross revenue (p)	Income tax (p)	Net revenue (p)	Equalisation (p)	Distribution paid 29 Feb 2016 (p)	Distribution paid 28 Feb 2015 (p)
Share Class F – Accumulation						
Group 1	0.3028	0.0606	0.2422	–	0.2422	0.2656
Group 2	0.1616	0.0323	0.1293	0.1129	0.2422	0.2656
Share Class F – Income						
Group 1	0.2895	0.0579	0.2316	–	0.2316	0.2577
Group 2	0.1363	0.0273	0.1090	0.1226	0.2316	0.2577

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 January 2016

Group 2: shares purchased between 1 January 2016 and 31 January 2016

	Gross revenue (p)	Income tax (p)	Net revenue (p)	Equalisation (p)	Distribution paid 31 Mar 2016 (p)	Distribution paid 31 Mar 2015 (p)
Share Class F – Accumulation						
Group 1	0.2901	0.0580	0.2321	–	0.2321	0.2254
Group 2	0.1228	0.0246	0.0982	0.1339	0.2321	0.2254
Share Class F – Income						
Group 1	0.2765	0.0553	0.2212	–	0.2212	0.2206
Group 2	0.1014	0.0203	0.0811	0.1401	0.2212	0.2206

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 February 2016

Group 2: shares purchased between 1 February 2016 and 29 February 2016

	Gross revenue (p)	Income tax (p)	Net revenue (p)	Equalisation (p)	Distribution paid 30 Apr 2016 (p)	Distribution paid 30 Apr 2015 (p)
Share Class F – Accumulation						
Group 1	0.3053	0.0611	0.2442	–	0.2442	0.2121
Group 2	0.1489	0.0298	0.1191	0.1251	0.2442	0.2121
Share Class F – Income						
Group 1	0.2904	0.0581	0.2323	–	0.2323	0.2071
Group 2	0.1538	0.0308	0.1230	0.1093	0.2323	0.2071

Sterling Corporate Bond Fund

Distribution Tables (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 March 2016

Group 2: shares purchased between 1 March 2016 and 31 March 2016

	Gross revenue (p)	Income tax (p)	Net revenue (p)	Equalisation (p)	Distribution paid 31 May 2016 (p)	Distribution paid 31 May 2015 (p)
Share Class F – Accumulation						
Group 1	0.2991	0.0598	0.2393	–	0.2393	0.2311
Group 2	0.1325	0.0265	0.1060	0.1333	0.2393	0.2311
Share Class F – Income						
Group 1	0.2843	0.0569	0.2274	–	0.2274	0.2171
Group 2	0.1240	0.0248	0.0992	0.1282	0.2274	0.2171

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 April 2016

Group 2: shares purchased between 1 April 2016 to 30 April 2016

	Gross revenue (p)	Income tax (p)	Net revenue (p)	Equalisation (p)	Distribution paid 30 June 2016 (p)	Distribution paid 30 June 2015 (p)
Share Class F – Accumulation						
Group 1	0.2794	0.0559	0.2235	–	0.2235	0.2138
Group 2	0.1485	0.0297	0.1188	0.1047	0.2235	0.2138
Share Class F – Income						
Group 1	0.2644	0.0529	0.2115	–	0.2115	0.2065
Group 2	0.1400	0.0280	0.1120	0.0995	0.2115	0.2065

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 May 2016

Group 2: shares purchased between 1 May 2016 to 31 May 2016

	Gross revenue (p)	Income tax (p)	Net revenue (p)	Equalisation (p)	Distribution paid 31 July 2016 (p)	Distribution paid 31 July 2015 (p)
Share Class F – Accumulation						
Group 1	0.3046	0.0609	0.2437	–	0.2437	0.2070
Group 2	0.1364	0.0273	0.1091	0.1346	0.2437	0.2070
Share Class F – Income						
Group 1	0.2879	0.0576	0.2303	–	0.2303	0.2010
Group 2	0.1271	0.0254	0.1017	0.1286	0.2303	0.2010

Sterling Corporate Bond Fund

Distribution Tables (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 June 2016

Group 2: shares purchased between 1 June 2016 to 30 June 2016

	Gross revenue (p)	Income tax (p)	Net revenue (p)	Equalisation (p)	Distribution paid 31 Aug 2016 (p)	Distribution paid 31 Aug 2015 (p)
Share Class F – Accumulation						
Group 1	0.2979	0.0596	0.2383	–	0.2383	0.2496
Group 2	0.1568	0.0314	0.1254	0.1129	0.2383	0.2496
Share Class F – Income						
Group 1	0.2808	0.0562	0.2246	–	0.2246	0.2444
Group 2	0.1480	0.0296	0.1184	0.1062	0.2246	0.2444

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 July 2016

Group 2: shares purchased between 1 July 2016 to 31 July 2016

	Gross revenue (p)	Income Tax (p)	Net revenue (p)	Equalisation (p)	Distribution paid 30 Sep 2016 (p)	Distribution paid 30 Sep 2015 (p)
Share Class F – Accumulation						
Group 1	0.2760	0.0552	0.2208	–	0.2208	0.2264
Group 2	0.1359	0.0272	0.1087	0.1121	0.2208	0.2264
Share Class F – Income						
Group 1	0.2595	0.0519	0.2076	–	0.2076	0.2188
Group 2	0.1169	0.0234	0.0935	0.1141	0.2076	0.2188

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 August 2016

Group 2: shares purchased between 1 August 2016 to 31 August 2016

	Gross revenue (p)	Income tax (p)	Net revenue (p)	Equalisation (p)	Distribution payable 31 Oct 2016 (p)	Distribution paid 31 Oct 2015 (p)
Share Class F – Accumulation						
Group 1	0.2984	0.0597	0.2387	–	0.2387	0.2107
Group 2	0.1595	0.0319	0.1276	0.1111	0.2387	0.2107
Share Class F – Income						
Group 1	0.2801	0.0560	0.2241	–	0.2241	0.2033
Group 2	0.1411	0.0282	0.1129	0.1112	0.2241	0.2033

Sterling Corporate Bond Fund

Distribution Tables (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

FINAL DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 April 2016

Group 2: shares purchased between 1 April 2016 to 30 September 2016

	Gross revenue (p)	Income tax (p)	Net revenue (p)	Equalisation (p)	Distribution payable 30 Nov 2016 (p)	Distribution paid 30 Nov 2015 (p)
Share Class A – Accumulation						
Group 1	25.7709	5.1542	20.6167	–	20.6167	20.8430
Group 2	13.5343	2.7069	10.8274	9.7893	20.6167	20.8430
Share Class A – Income						
Group 1	17.0428	3.4086	13.6342	–	13.6342	14.0004
Group 2	7.0221	1.4044	5.6177	8.0165	13.6342	14.0004
Share Class I – Accumulation						
Group 1	35.2103	7.0421	28.1682	–	28.1682	27.8550
Group 2	17.1268	3.4254	13.7014	14.4668	28.1682	27.8550
Share Class I – Income						
Group 1	21.8310	4.3662	17.4648	–	17.4648	17.7375
Group 2	4.3456	0.8691	3.4765	13.9883	17.4648	17.7375

FINAL DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 September 2016

Group 2: shares purchased between 1 September 2016 to 30 September 2016

	Gross revenue (p)	Income tax (p)	Net revenue (p)	Equalisation (p)	Distribution payable 30 Nov 2016 (p)	Distribution paid 30 Nov 2015 (p)
Share Class F – Accumulation						
Group 1	0.2706	0.0541	0.2165	–	0.2165	0.2572
Group 2	0.1636	0.0327	0.1309	0.0856	0.2165	0.2572
Share Class F – Income						
Group 1	0.2566	0.0513	0.2053	–	0.2053	0.2524
Group 2	0.0718	0.0144	0.0574	0.1479	0.2053	0.2524

EQUALISATION

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the average amount of income included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital.

Further information

REPORTS & ACCOUNTS

Each year, you will be sent the short form report in accordance with the requirement of Financial Conduct Authority's (FCA) regulations. In accordance with circular 357-16 issued by the Investment Association, the requirement for Managers to issue and distribute Short Reports will cease to apply. Accordingly, we will discontinue distribution of Short Reports from 31 March 2017. The annual and semi-annual Long Form Report is available at our website www.morganstanley.com or by writing to Morgan Stanley Investment Management (ACD) Limited, 25 Cabot Square, Canary Wharf, London E14 4QA.

The maintenance and integrity of the Morgan Stanley Investment Management Limited website is the responsibility of the Morgan Stanley Investment Management. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

UCITS V

The Company is an Undertaking for Collective Investment in Transferable Securities ("UCITS V") for the purpose of the Council Directive 2009/65/EC, as amended by Directive 2014/91/EU and transposed into UK law on 18 March 2016.

PROSPECTUS

The Fund Prospectus, an important document describing each Fund in detail, is available from the ACD, which is responsible for the management and administration of the Funds.

The ACD for Morgan Stanley Funds (UK) is Morgan Stanley Investment Management (ACD) Limited, located at 25 Cabot Square, Canary Wharf, London E14 4QA.

TYPES OF SHARE AVAILABLE

Each of the Funds of Morgan Stanley Funds (UK) offers four classes of shares: Class A shares, Class I shares, Class F shares and Class N shares.

Details of the Shares presently available for each Fund, are set out in this table:

Fund Name	Share Classes and type of Shares available
Global Brands Fund	I Income and Accumulation Shares (Class A Shares are in issue for this Fund but are presently not available for investment)
Global Brands Equity Income Fund	I Income and Accumulation Shares
US Advantage Fund	I Accumulation Shares
Sterling Corporate Bond Fund	A, I and F Income and Accumulation Shares

The share classes are differentiated in terms of minimum initial and subsequent investment required and the annual management charge.

MINIMUM INVESTMENT

For Class A shares, a minimum initial investment of £1,000 is required; additional investments may be subject to a £500 minimum injection. For Class I shares a minimum initial investment of £50,000 is required; additional investments may be subject to a £2,500 minimum injection.

For Class N shares, there is no minimum investment nor minimum subsequent investments. Class N shares are only available for subscription by collective investment schemes managed or operated by the Investment Manager or an affiliate of the Investment Manager.

For Class F shares, a minimum initial investment of £150,000,000 is required, with no minimum additional investments.

MINIMUM REDEMPTION

The ACD may refuse a redemption request if the total value of the shares to be redeemed falls below £500 in respect of any share class. Redemption for Class A below £500 can be refused on any share class. In addition, no Partial redemption may be made which would reduce the value of shares held in Class A below £1,000 and Class I below £50,000.

SWITCHING

Investors may sell their shares and transfer the proceeds into any of the other Funds by calling our dealing desk on 0800 328 1571.

DISTRIBUTIONS

Income distributions of A, I and N share classes are allocated to shareholders at the end of each accounting period. The bi-annual income allocation dates are 31 March and 30 September, and the quarterly income allocation dates are 31 March, 30 June, 30 September and 31 December and income is paid within 2 months following the end of each accounting period.

Income distributions of F share class are allocated to shareholders at the end of each month and paid within 2 months following the income allocation.

Income allocated in respect of Income and Accumulation Shares is automatically reinvested at no charge unless a shareholder elects to receive all the income allocation from the income share class in cash.

Further information (continued)

PUBLICATION OF PRICES

The most recent share prices will be published daily on our website www.morganstanleyfunds.co.uk.

CHARGES

A preliminary charge of 5.00% may be levied on the purchase of A shares in all Funds. Part or all of the preliminary charge may be waived at the Authorised Corporate Director's (ACD's) discretion.

No preliminary charge is, or will be, levied in respect of I, F or N shares.

On an exchange of Shares of one Class or Fund for Shares in another Class or Fund, the ACD may take a charge not exceeding the excess of the amount of the prevailing preliminary charge for the new shares being acquired over the preliminary charge levied on the acquisition of the original shares. There are no exit charges for Morgan Stanley Funds (UK). A proportion of the annual management charge is deducted from the net assets of each Fund on a daily basis. Charges for items such as administration, custody, and auditors fees are also deducted from each Fund.

SWING PRICING

To the extent that the ACD consider that it is in the best interests of Shareholders, taking into account factors including the prevailing market conditions, the level of subscriptions and redemptions in a particular Fund and the size of the Fund, the ACD may decide to adjust the Net Asset Value of a Fund to reflect the estimated dealing spreads, costs and charges ("Swing Factor") to be incurred by the Fund in liquidating or purchasing investments to satisfy the net transactions received in respect of a particular day.

Under normal market circumstances, the Swing Factor shall not exceed 1% of the Net Asset Value of the relevant Fund on the relevant day. When net subscriptions in a Fund exceed a certain threshold on a given day, the Net Asset Value is adjusted upwards by the Swing Factor. Similarly, when net redemptions in a Fund exceed a certain threshold on a given day, the Net Asset Value of the Fund is adjusted downwards by the Swing Factor.

REMUNERATION POLICY OF THE ACD

The ACD has a remuneration policy in place as required under the UCITS Directive which seeks to ensure that the interests of the Company and the Shareholders are aligned. Such remuneration policy imposes remuneration rules on staff and senior management within the ACD whose activities have an impact on the risk profile of the Company. The ACD shall seek to ensure that such remuneration policies and practices will be consistent with sound and effective risk management and with UCITS Regulation. The ACD shall also seek to ensure that such remuneration policies and practices shall not encourage risk taking which is inconsistent with the risk profile and constitutional documents of the Company.

The ACD shall seek to ensure that the remuneration policy will, at all times, be consistent with the business strategy, objectives, values and interests of the Company and the Shareholders and that the remuneration policy will include measures that seek to ensure that all relevant conflicts of interest can be managed appropriately at all times.

The ACD has not completed a full annual performance period following the implementation of UCITS V on 18 March 2016. The number of staff who are subject to the provisions of the remuneration policy ("Remuneration Code Staff") have therefore not yet been determined and the total amount of remuneration the Remuneration Code Staff receive, and how this remuneration is split into fixed and variable remuneration, are not available for the Company's annual accounting period in question.

IMPORTANT INFORMATION

Recipients of this document should not treat the contents as advice relating to legal, taxation or investment matters and should consult their own professional advisers concerning the acquisition, holding or disposing of investments in the Funds.

Past performance is not necessarily indicative of future performance and the value of the shares and income from them may fall as well as rise. On redemption of shares, the investor may receive back an amount less than the original amount of their investment. The assets of the Funds will be in a variety of currencies and therefore movements in the value of currencies may affect the value of an investor's holdings and the income from the holdings may fluctuate in value in money terms.

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