

Morgan Stanley
Funds (UK)



Annual Report

30 September 2017

Table of Contents

2	Morgan Stanley Funds (UK) (the “Company”)	FUND REVIEWS & FINANCIAL STATEMENTS
3	Directory	Equity Funds
4	Report of the Authorised Corporate Director of Morgan Stanley Funds (UK) (the “Company”)	8 Global Brands Fund
5	Report of the Depositary to the Shareholders of the Company	20 Global Brands Equity Income Fund
6	Independent Auditors’ Report to the Shareholders of the Company	35 US Advantage Fund
		Fixed Interest Fund
		47 Sterling Corporate Bond Fund
		71 Further information

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

Directors

Judith Eden (resigned 30 June 2017)
Diane Hosie
Andrew Mack
Ruairi O'Healai
Andrew Onslow

REGISTRAR

DST Financial Services International Limited

DST House
St Nicholas Lane
Basildon
Essex
SS15 5FS
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

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

Atria One
144 Morrison Street
Edinburgh
EH3 8EX
United Kingdom

LEGAL ADVISERS

Eversheds LLP

One Wood Street
London
EC2V 7WS
United Kingdom

SUB-INVESTMENT MANAGER

Morgan Stanley Investment Management Inc.

522 Fifth Avenue
New York
NY 10036
United States of America

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

For the year ended 30 September 2017

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.

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 Investment Association (“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.

Andrew Onslow
Director on behalf of
Morgan Stanley Investment Management (ACD) Limited
as Authorised Corporate Director of Morgan Stanley Funds (UK)
29 January 2018

Report of the Depositary to the Shareholders of the Company

For the year ended 30 September 2017

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 monitored 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
29 January 2018

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

OPINION

We have audited the financial statements of Morgan Stanley Funds (UK) ("the Company") for the year ended 30 September 2017 which comprise the Statement of Total Return and Statement of Changes in Net Assets Attributable to Shareholders together with the Balance Sheet for each of the Company's sub-funds, the related notes for each sub-fund and the Distribution Tables, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Company as at 30 September 2017 and of the net revenue/expenses and the net capital gains/losses on the scheme property of the Company comprising each of its sub-funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting standard applicable in the UK and Republic of Ireland'.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The ACD is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Independent Auditor's Report to the Shareholders of Morgan Stanley Funds (UK) (continued)

OPINIONS 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; and
- 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.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the follow matter in relation to which the Collective Investment Schemes Sourcebook of the Financial Conduct Authority rules requires us to report to you if, in our opinion:

- we have not received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

RESPONSIBILITIES OF AUTHORISED CORPORATE DIRECTOR (ACD)

As explained more fully in the ACD's responsibilities statement as 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, and for such internal control as the ACD determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

This report is made solely to the company's members, 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 company's members those matters we are required to state in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

Ernst & Young LLP

Statutory Auditor
Edinburgh
30 January 2018

Global Brands Fund

Fund Review (continued)

Change in net assets per share (iii)	Share Class I – Accumulation		
	30 Sep 2017 (£)	30 Sep 2016 (£)	30 Sep 2015 (£)
Opening net asset value per share	68.04	51.26	47.58
Return before operating charges	8.69	17.33	4.20
Operating charges	(0.67)	(0.55)	(0.52)
Return after operating charges	8.02	16.78	3.68
Distributions	(0.85)	(0.85)	(0.69)
Retained distributions on accumulation shares	0.85	0.85	0.69
Closing net asset value per share	76.06	68.04	51.26
After direct transaction costs of:	0.08	0.05	0.04
Performance (i)			
Return after operating charges	11.78%	32.74%	7.73%
Other information			
Closing net asset value	812,389,975	708,134,425	479,643,936
Closing number of shares	10,680,895	10,407,287	9,357,667
Operating Charges (ii)	0.90%	0.92%	1.00%
Direct transaction costs	0.10%	0.08%	0.09%
Prices			
Highest share price	81.33	69.49	54.94
Lowest share price	66.27	51.98	48.99

Change in net assets per share (iii)	Share Class I – Income		
	30 Sep 2017 (£)	30 Sep 2016 (£)	30 Sep 2015 (£)
Opening net asset value per share	19.68	15.02	14.13
Return before operating charges	2.52	5.07	1.25
Operating charges	(0.19)	(0.16)	(0.15)
Return after operating charges	2.33	4.91	1.10
Distributions	(0.24)	(0.25)	(0.21)
Retained distributions on accumulation shares	–	–	–
Closing net asset value per share	21.77	19.68	15.02
After direct transaction costs of:	0.02	0.01	0.01
Performance (i)			
Return after operating charges	11.82%	32.68%	7.75%
Other information			
Closing net asset value	152,864,805	146,093,599	106,163,367
Closing number of shares	7,022,836	7,421,640	7,066,904
Operating Charges (ii)	0.90%	0.92%	1.00%
Direct transaction costs	0.10%	0.08%	0.09%
Prices			
Highest share price	23.44	20.28	16.25
Lowest share price	19.17	15.24	14.49

(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 2017, the Fund's I Accumulation class shares underperformed the benchmark, MSCI World (Net) Index, by 2.63%, returning 11.78% (i) (net of fees in sterling) versus 14.41% for the Index.

Over the period, sector allocation was the main drag due to the significant overweight in Consumer Staples and the underweight in Industrials, although our underweights in Energy, Telecoms and Real Estate had a positive impact. Conversely, from a stock selection standpoint, outperformance in Consumer Staples offset the underperformance in Consumer Discretionary, Industrials, Materials and Information Technology (IT).

Top absolute contributors for the period were Microsoft (+198 basis points [bps]), Unilever (+187 bps) and Reynolds American (+175 bps). Top detractors were British American Tobacco (-29 bps), Reckitt Benckiser (-49 bps) and International Flavors & Fragrances (-10 bps).

MARKET REVIEW

The MSCI World (Net) Index advanced by 14.41% in sterling terms for the period. The 12-month period saw the euro gain ground against the dollar, with a positive impact on Continental Europe. Austria was up 54%, Italy 41%, Spain 28%, France 26%, the Netherlands 24% and Germany 22% (all in sterling). The revival of the oil price in the third quarter also helped Norway, which was up 25%, and to a lesser extent Canada, up 11%. Singapore and the U.S. were roughly in line with the MSCI World Index, while the U.K., Japan, Australia and Hong Kong lagged.

Financials were the clear sector leader for the period, up 29%, with Information Technology the next best performing at 24%. Materials and Industrials comfortably beat the Index (at 19% and 18%, respectively), while Health Care (9%), Utilities (7%), Real Estate (0.0%) and Telecoms (-1.0%) helped give the stragglers a distinctly defensive feel.

PORTFOLIO ACTIVITY

During the 12-month period, we initiated positions in Zoetis and Danaher and added to our position in Accenture. Zoetis is the world's leading animal health care company and offers high returns on capital without the political, pricing and patent risks more evident in other pharmaceutical names. Danaher is a U.S. Health Care/Industrial company that has long been on our radar, given its market leading positions and excellent management. Accenture is a leading IT Services company helping corporates with the challenge of 'digital transformation.' This should allow it to continue to gain share, while competitors struggle with the commoditisation and automation of more simple processes. Our position in British American Tobacco also grew, but that was largely due to the absorption of our Reynolds American position as the takeover completed.

Global Brands Fund

Fund Review (continued)

During the period we sold out our holding in Japan Tobacco, where the investment case had deteriorated, and reduced our position in Nestlé, which is exposed to the slowing U.S. Food sector. During the 12 months, we also added to and reduced select Information Technology, Consumer Staples, Materials, Industrials, Consumer Discretionary and Health Care names for quality or valuation reasons.

STRATEGY & OUTLOOK

2017 has seen markets continuing their upwards march, with volatility still near all-time lows. A recurring theme of ours is that this boisterous mood contrasts with the deeply uncertain state of the world, with a particular area of concern being political risk.

The MSCI World Index is trading at 16.7 times¹ the next 12-months earnings, close to all-time highs, with those earnings assumed to be up over 10% over the next year. Aside from the potential effects on the market as a whole, increased vigilance about the threats from potential governmental action is required at the individual stock level. We have always had a focus on high-quality compounders, companies that can steadily grow earnings at high returns across cycles and are robust against potential threats. We would argue that this focus is more valuable than ever in this uncertain world, particularly as the compounders valuation relative to the market has improved further after the cyclical reflation rally of the last quarter.

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

¹ Source: FactSet, 30 September 2017.

Global Brands Fund

Portfolio Statement (unaudited)

AS AT 30 SEPTEMBER 2017

	Holdings	Investments	Market Value (£)	% of net asset value 30 Sep 2017	% of net asset value 30 Sep 2016
France – 8.43%	293,079	L'Oreal	46,305,290	4.77	
	344,338	Pernod Ricard	35,453,782	3.66	
			81,759,072	8.43	10.33
Germany – 4.85%	578,661	SAP	47,086,987	4.85	
			47,086,987	4.85	2.97
Ireland – 7.37%	701,430	Accenture	71,442,741	7.37	
			71,442,741	7.37	4.84#
Italy – 1.66%	2,940,772	Davide Campari-Milano	16,080,352	1.66	
			16,080,352	1.66	1.07
Japan – 0.00%			–	–	2.54
Netherlands – 1.21%	744,040	RELX (Netherlands Listing)	11,762,097	1.21	
			11,762,097	1.21	0.91
Switzerland – 1.11%	171,668	Nestlé	10,722,835	1.11	
			10,722,835	1.11	4.74
United Kingdom – 28.85%	1,201,194	British American Tobacco	56,281,945	5.80	
	407,458	British American Tobacco ADR	19,027,295	1.96	
	1,308,911	Experian	19,686,022	2.03	
	1,030,630	Reckitt Benckiser	70,433,254	7.27	
	1,449,623	RELX (London Listing)	23,657,847	2.44	
	2,096,478	Unilever	90,714,603	9.35	
			279,800,966	28.85	25.70#
United States – 43.97%	514,883	Altria	24,709,313	2.55	
	277,951	Automatic Data Processing	22,640,636	2.33	
	889,069	Coca-Cola	29,812,782	3.07	
	155,891	Danaher	9,900,432	1.02	
	76,433	International Flavors & Fragrances	8,142,995	0.84	
	134,715	Intuit	14,323,035	1.48	
	1,259,313	Microsoft	69,486,171	7.16	
	107,899	Moody's	11,172,838	1.15	
	725,049	NIKE	28,511,162	2.94	
	524,531	Philip Morris International	43,811,519	4.52	
	65,466	Time Warner	5,001,420	0.52	
	1,128,760	Twenty-First Century Fox 'A' Shares	22,391,353	2.31	
	929,079	Twenty-First Century Fox 'B' Shares	18,055,403	1.86	
	592,975	Visa	46,320,647	4.78	
	491,611	Walt Disney	36,011,324	3.71	
	764,124	Zoetis	36,145,176	3.73	
			426,436,206	43.97	44.64
		Portfolio of investments	945,091,256	97.45	97.74
		Net other assets	24,686,835	2.55	2.26
		Net assets	969,778,091	100.00	100.00

All holdings are ordinary shares unless otherwise stated.

Since the previous report the classification headings have been updated by data providers. Comparative figures have been updated where appropriate.

Global Brands Fund

Statement of Total Return

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Notes	30 Sep 17 (£)	30 Sep 17 (£)	30 Sep 16 (£)	30 Sep 16 (£)
Income					
Net capital gains	4		89,484,403		184,971,074
Revenue	5	19,372,537		17,633,025	
Expenses	6	(8,046,883)		(6,442,172)	
Interest payable and similar charges		(720)		(483)	
Net revenue before taxation		11,324,934		11,190,370	
Taxation	7	(1,307,839)		(1,283,473)	
Net revenue after taxation			10,017,095		9,906,897
Total return before distributions			99,501,498		194,877,971
Distributions	8		(10,017,093)		(9,906,955)
Change in net assets attributable to shareholders from investment activities			89,484,405		184,971,016

Statement of Change in Net Assets Attributable to Shareholders

FOR THE YEAR ENDED 30 SEPTEMBER 2017

		30 Sep 17 (£)	30 Sep 17 (£)	30 Sep 16 (£)	30 Sep 16 (£)
Opening net assets attributable to shareholders			859,622,810		590,525,669
Amounts receivable on issue of shares		140,082,313		157,438,314	
Amounts payable on cancellation of shares		(128,338,889)		(81,932,277)	
			11,743,424		75,506,037
Dilution adjustment charged			97,803		-
Change in net assets attributable to shareholders from investment activities (see above)			89,484,405		184,971,016
Retained distribution on accumulation shares			8,829,649		8,620,088
Closing net assets attributable to shareholders			969,778,091		859,622,810

Balance Sheet

AS AT 30 SEPTEMBER 2017

	Notes	30 Sep 17 (£)	30 Sep 17 (£)	30 Sep 16 (£)	30 Sep 16 (£)
Assets					
Investment assets			945,091,256		840,167,738
Debtors	9	8,528,880		64,970,059	
Cash and bank balances	10	20,178,393		15,891,403	
Total other assets			28,707,273		80,861,462
Total assets			973,798,529		921,029,200
Liabilities					
Creditors	11	2,869,706		60,117,594	
Distribution payable on income shares		1,150,732		1,288,796	
Total liabilities			4,020,438		61,406,390
Net assets attributable to shareholders			969,778,091		859,622,810

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 2017

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 and Republic of Ireland.

(b) Revenue

Dividends on equities and preference stock 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 accruals 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 period is shown in notes 4 and 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, 29 September 2017. 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 Fund will be accounted for in accordance with the SORP. 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 2017

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.

(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 Sterling, 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 ('IM') 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 2017, 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 £47,254,563 (2016: £42,008,387).

(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 2017, 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 £6,874,327 (2016: £5,800,391).

The Fund's currency exposure as at 30 September 2017 was:

Currency	Net foreign currency assets		
	Monetary Exposure £	Non-Monetary Exposure £	Total £
Euro	591,138	156,688,508	157,279,646
Swiss Franc	1,130,737	10,722,835	11,853,572
US Dollar	1,393,220	516,906,242	518,299,462
Total	3,115,095	684,317,585	687,432,680

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

(c) Interest rate risk and cash flow risk

The Fund does not hold fixed income securities therefore interest rate risk is not considered to be 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) may fluctuate depending on the particular decisions made by each issuer.

Global Brands Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

The interest rate risk profile of the Fund's financial assets and liabilities at 30 September 2017 was:

Currency	Floating Rate financial assets £	Financial assets not carrying interest £	Total £
2017			
Euro	-	157,279,646	157,279,646
Pound Sterling	20,175,371	266,190,478	286,365,849
Swiss Franc	3,022	11,850,550	11,853,572
US Dollar	-	518,299,462	518,299,462
Total	20,178,393	953,620,136	973,798,529
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

Currency	Floating Rate financial liabilities £	Financial liabilities not carrying interest £	Total £
2017			
Euro	-	-	-
Pound Sterling	-	4,020,438	4,020,438
Swiss Franc	-	-	-
US Dollar	-	-	-
Total	-	4,020,438	4,020,438
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

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 IM on a regular basis and fair valued as appropriate.

All of the Fund's financial assets as at 30 September 2017 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 its value to ensure settlement.

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

The IM's 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 the 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 its 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 IM will be able to successfully hedge the Fund.

There were no derivatives held at the accounting year end. (2016: no derivatives held).

4. NET CAPITAL GAINS

	30 Sep 17 (£)	30 Sep 16 (£)
Gains on non-derivative securities	89,820,955	184,973,110
Currency (losses)/gains	(315,979)	10,277
Transaction charges	(21,296)	(12,590)
ACD's reimbursement to capital	723	277
Net capital gains	89,484,403	184,971,074

Global Brands Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

5. REVENUE

	30 Sep 17 (£)	30 Sep 16 (£)
Overseas dividends	12,854,336	12,458,796
UK dividends	6,515,615	5,167,203
Bank interest	2,586	7,026
Total revenue	19,372,537	17,633,025

6. EXPENSES

	30 Sep 17 (£)	30 Sep 16 (£)
Payable to the ACD, associates of the ACD and agents of either of them:		
Management charge	6,725,066	5,294,411
Administration charge	1,337,766	1,157,538
	8,062,832	6,451,949
Other expenses:		
Financial Conduct Authority fee	480	480
Audit fee*	9,710	9,391
Depository's fees	165,949	115,859
Safe custody fees	104,362	79,552
Professional fees	29,649	28,513
Printing & production costs	9,703	5,497
	319,853	239,292
Expenses	8,382,685	6,691,241
Less ACD reimbursement to revenue	(335,802)	(249,069)
Total expenses	8,046,883	6,442,172

* The audit fee for the year, excluding VAT, was £7,850 (2016: £7,850).

7. TAXATION

(a) Analysis of charge in the year:

	30 Sep 17 (£)	30 Sep 16 (£)
Overseas tax	1,307,839	1,283,473
Total taxation	1,307,839	1,283,473

(b) Factors affecting 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 17 (£)	30 Sep 16 (£)
Net revenue before taxation	11,324,934	11,190,370
Corporation tax of 20% (2016: 20%)	2,264,987	2,238,074
Effects of:		
Revenue not subject to corporation tax	(3,873,820)	(3,525,199)
Rebated capital expenses deductible for tax purposes	-	55
Movement in excess expenses	1,608,888	1,287,070
Prior year adjustments – movement in excess expenses	(55)	-
Overseas tax	1,307,839	1,283,473
Total tax for the year	1,307,839	1,283,473

(c) Provision for deferred tax

At 30 September 2017 the Fund had surplus management expenses of £41,136,797 (2016: £33,092,354). 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 £8,227,359 (2016: £6,618,471) 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 17 (£)	30 Sep 16 (£)
Interim	3,314,066	2,927,670
Final	7,236,975	7,510,601
Add: Amounts deducted on cancellation of shares	271,802	456,751
Less: Amounts received on issue of shares	(805,750)	(988,067)
Net distribution for the year	10,017,093	9,906,955

Distributions are represented by:

	30 Sep 17 (£)	30 Sep 16 (£)
Net revenue after taxation	10,017,095	9,906,897
Tax relief on expenses offset against capital	-	55
Movement on revenue account	(2)	3
Net distribution for the year	10,017,093	9,906,955

Details of the distribution per share are set out in the Distribution Tables on page 19.

9. DEBTORS

	30 Sep 17 (£)	30 Sep 16 (£)
Accrued revenue	1,393,218	1,325,683
Amounts receivable for issue of shares	5,267,037	61,898,453
Overseas tax recoverable	1,718,854	1,667,905
Reimbursement of expenses receivable from ACD	149,771	78,018
Total	8,528,880	64,970,059

Global Brands Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

10. CASH AND BANK BALANCES

	30 Sep 17 (£)	30 Sep 16 (£)
Cash and bank balances	20,178,393	15,891,403
	20,178,393	15,891,403

11. CREDITORS

	30 Sep 17 (£)	30 Sep 16 (£)
Purchases awaiting settlement	–	57,609,385
Accrued expenses	571,730	471,266
Amounts payable to ACD	2,263,529	1,940,299
Amount payable for cancellation of shares	34,447	96,644
	2,869,706	60,117,594

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 notes 4 and 6.

There are no material shareholders (2016: no material shareholders).

13. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Fund had no contingent liabilities or capital commitments at the year end date (2016: £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 Tables on pages 8 to 9. The distribution per share class is given in the Distribution Tables on page 19.

15. PORTFOLIO TRANSACTION COSTS

Analysis of total trade costs.

For the year ending	Purchases		Sales	
	30 Sep 17	30 Sep 16*	30 Sep 17	30 Sep 16*
Equities	368,943,471	303,532,551	337,276,301	223,664,707
Trades in the year before transaction costs	368,943,471	303,532,551	337,276,301	223,664,707
Commissions				
Equities	178,438	178,623	(205,149)	(131,228)
Total Commissions	178,438	178,623	(205,149)	(131,228)
Taxes				
Equities	535,081	281,585	(4,027)	(2,825)
Total Taxes	535,081	281,585	(4,027)	(2,825)
Total costs	713,519	460,208	(209,176)	(134,053)
Total net trades in the year after transaction costs	369,656,990	303,992,759	337,067,125	223,530,654

* Prior year comparatives have been updated to correct rounding.

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 dealing spread was 0.02% (2016: 0.03%*).

* Figures updated to correct dealing spread calculations.

Total transaction cost expressed as a percentage of asset types:

For the year ending	Purchases		Sales	
	30 Sep 17 %	30 Sep 16 %	30 Sep 17 %	30 Sep 16 %
Commissions				
Equities	0.048	0.059	(0.061)	(0.059)
Taxes				
Equities	0.145	0.093	(0.001)	(0.001)

Total transaction cost expressed as a percentage of average NAV:

For the year ending	30 Sep 17 %	30 Sep 16 %
Commissions	0.043	0.044
Taxes	0.060	0.041
Total	0.103	0.085

Global Brands Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

16. SHARE RECONCILIATION

Reconciliation of the share movements in the year	A		I	
	Accumulation	Income	Accumulation	Income
Opening shares in issue	85,713	6,843	10,407,287	7,421,640
Creations during the year	–	15	1,609,058	947,273
Cancellations during the year	(21,423)	(52)	(1,335,450)	(1,346,077)
Closing shares in issue	64,290	6,806	10,680,895	7,022,836

17. FAIR VALUE HIERARCHY

Valuation technique	Assets		Liabilities	
	30 Sep 17	30 Sep 17	30 Sep 16	30 Sep 16
Quoted prices for identical instruments in active markets [^]	945,091,256	–	840,167,738	–
Valuation techniques using observable market data ^{^^}	–	–	–	–
Valuation techniques using non-observable data ^{^^^}	–	–	–	–
	945,091,256	–	840,167,738	–

[^] 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.

18. POST BALANCE SHEET EVENT

There are no significant post balance sheet events.

Global Brands Fund

Distribution Tables

FOR THE YEAR ENDED 30 SEPTEMBER 2017

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 October 2016

Group 2: shares purchased between 1 October 2016 and 31 March 2017

	Revenue (p)	Equalisation (p)	Distribution paid/accumulated 31 May 2017 (p)	Distribution paid/accumulated 31 May 2016 (p)
Share Class A – Accumulation				
Group 1	0.9757	–	0.9757	3.2144
Group 2	0.9757	0.0000	0.9757	3.2144
Share Class A – Income				
Group 1	0.3166	–	0.3166	1.2168
Group 2	0.3166	0.0000	0.3166	1.2168
Share Class I – Accumulation				
Group 1	27.9334	–	27.9334	25.0858
Group 2	22.7688	5.1646	27.9334	25.0858
Share Class I – Income				
Group 1	8.0777	–	8.0777	7.3569
Group 2	6.4438	1.6339	8.0777	7.3569

FINAL DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 April 2017

Group 2: shares purchased between 1 April 2017 and 30 September 2017

	Revenue (p)	Equalisation (p)	Distribution paid/accumulated 30 Nov 2017 (p)	Distribution paid/accumulated 30 Nov 2016 (p)
Share Class A – Accumulation				
Group 1	24.8563	–	24.8563	32.4142
Group 2	24.8563	0.0000	24.8563	32.4142
Share Class A – Income				
Group 1	7.5065	–	7.5065	8.5487
Group 2	1.7831	5.7234	7.5065	8.5487
Share Class I – Accumulation				
Group 1	56.8329	–	56.8329	59.5162
Group 2	4.6035	52.2294	56.8329	59.5162
Share Class I – Income				
Group 1	16.3783	–	16.3783	17.3575
Group 2	7.0024	9.3759	16.3783	17.3575

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 of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

Global Brands Equity Income Fund

as at 30 September 2017

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
---	---	---	---	---	---	---

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 a potential for the Fund to suffer losses.

COMPARATIVE TABLES AS AT 30 SEPTEMBER 2017

	Share Class F – Income 30 Sep 2017 (£)
Change in net assets per share (iii)	
Opening net asset value per share	10.00
Return before operating charges	(0.25)
Operating charges	(0.01)
Return after operating charges	(0.26)
Distributions	(0.03)
Retained distributions on accumulation shares	–
Closing net asset value per share	9.71
After direct transaction costs of:	0.01
Performance (i)	
Return after operating charges	(2.65)%
Other information	
Closing net asset value	492,006
Closing number of shares	50,695
Operating Charges (ii)	0.65%
Direct transaction costs	0.10%
Prices	
Highest share price	10.11
Lowest share price	9.66

	Share Class I – Accumulation 30 Sep 2017 (£)	30 Sep 2016 (£)
Change in net assets per share (iii)		
Opening net asset value per share	10.09	9.97
Return before operating charges	1.08	0.21
Operating charges	(0.11)	(0.09)
Return after operating charges	0.97	0.12
Distributions	(0.45)	(0.03)
Retained distributions on accumulation shares	0.45	0.03
Closing net asset value per share	11.06	10.09
After direct transaction costs of:	0.01	0.02
Performance (i)		
Return after operating charges	9.64%	1.24%
Other information		
Closing net asset value	1,946,185	1,765,741
Closing number of shares	175,926	175,000
Operating Charges (ii)	1.00%	1.00%
Direct transaction costs	0.10%	0.22%
Prices		
Highest share price	11.84	10.16
Lowest share price	9.82	9.76

Global Brands Equity Income Fund

Fund Review (continued)

	Share Class I – Income	
	30 Sep 2017 (£)	30 Sep 2016 (£)
Change in net assets per share (iii)		
Opening net asset value per share	10.06	9.97
Return before operating charges	1.08	0.21
Operating charges	(0.11)	(0.09)
Return after operating charges	0.97	0.12
Distributions	(0.44)	(0.03)
Retained distributions on accumulation shares	–	–
Closing net asset value per share	10.59	10.06
After direct transaction costs of:		
	0.01	0.02
Performance (i)		
Return after operating charges	9.63%	1.24%
Other information		
Closing net asset value	1,857,722	1,760,668
Closing number of shares	175,476	175,000
Operating Charges (ii)	1.00%	1.00%
Direct transaction costs	0.10%	0.22%
Prices		
Highest share price	11.56	10.16
Lowest share price	9.79	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.

The Fund was launched on 30 August 2016.

The opening NAV per share of the I Classes for 30 September 2016 is the price as on the day of the first calculated NAV. The opening NAV per share of the F Class for 30 September 2017 is the price as on the launch date of 29 August 2017.

PERFORMANCE REVIEW

For the 12-month period ending 30 September 2017, the Fund's I Accumulation class shares underperformed the benchmark, the MSCI World (Net) Index, by 4.76%, returning 9.65% (i) (net of fees in sterling) versus 14.41% for the Index.

Over the period, sector allocation was the main drag due to the significant overweight in Consumer Staples and the underweight in Industrials, although our underweights in Energy, Telecoms and Real Estate had a positive impact. Conversely, from a stock selection standpoint, outperformance in Consumer Staples offset the underperformance in Consumer Discretionary, Industrials, Materials and Information Technology (IT). The overwrite (sale of index call options) detracted from performance given steeply rising equity markets.

The Fund continues to offer a compelling long-term proposition to income investors: the combination of robust income, capital appreciation and relative downside protection. The Fund produced a distributed yield of 4.09% over the previous four quarters (as of 30 September), in line with the targeted 4% annual yield.

Top absolute contributors for the period were Microsoft (+193 basis points [bps]), Unilever (+183 bps) and Reynolds American (+171 bps). Top detractors were British American Tobacco (-45 bps), Reckitt Benckiser (-33 bps) and International Flavors & Fragrances (-10 bps). The overwrite detracted by 172 bps.

MARKET REVIEW

The MSCI World (Net) Index advanced by 14.41% in sterling terms for the period. The 12-month period saw the euro gain ground against the dollar, with a positive impact on Continental Europe. Austria was up 54%, Italy 41%, Spain 28%, France 26%, the Netherlands 24% and Germany 22% (all in sterling). The revival of the oil price in the third quarter also helped Norway, which was up 25%, and to a lesser extent Canada, up 11%. Singapore and the U.S. were roughly in line with the MSCI World Index, while the U.K., Japan, Australia and Hong Kong lagged.

Financials were the clear sector leader for the period, up 29%, with Information Technology the next best performing at 24%. Materials and Industrials comfortably beat the Index (at 19% and 18%, respectively), while Health Care (9%), Utilities (7%), Real Estate (0.0%) and Telecoms (-1.0%) helped give the stragglers a distinctly defensive feel.

PORTFOLIO ACTIVITY

During the 12-month period, we initiated positions in Zoetis and Danaher and added to our position in Accenture. Zoetis is the world's leading animal health care company and offers high returns on capital without the political, pricing and patent risks more evident in other pharmaceutical names. Danaher is a U.S. Health Care/Industrial company that has long been on our radar, given its market leading positions and excellent management. Accenture is a leading IT Services company helping corporates with the challenge of 'digital transformation.' This should allow it to continue to gain share, while competitors struggle with the commoditisation and automation of more simple processes. Our position in British American Tobacco also grew, but that was largely due to the absorption of our Reynolds American position as the takeover completed.

During the period we sold out our holding in Japan Tobacco, where the investment case had deteriorated, and reduced our position in Nestlé, which is exposed to the slowing U.S. Food sector. During the 12 months, we also added to and reduced select Information Technology, Consumer Staples, Materials, Industrials, Consumer Discretionary and Health Care names for quality or valuation reasons.

Global Brands Equity Income Fund

Fund Review (continued)

STRATEGY & OUTLOOK

2017 has seen markets continuing their upwards march, with volatility still near all-time lows. A recurring theme of ours is that this boisterous mood contrasts with the deeply uncertain state of the world, with a particular area of concern being political risk.

The MSCI World Index is trading at 16.7 times¹ the next 12-months earnings, close to all-time highs, with those earnings assumed to be up over 10% over the next year. Aside from the potential effects on the market as a whole, increased vigilance about the threats from potential governmental action is required at the individual stock level. We have always had a focus on high-quality compounders, companies that can steadily grow earnings at high returns across cycles and are robust against potential threats. We would argue that this focus is more valuable than ever in this uncertain world, particularly as the compounders valuation relative to the market has improved further after the cyclical deflation rally of the last quarter.

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

¹ Source: FactSet, 30 September 2017.

Global Brands Equity Income Fund

Portfolio Statement (unaudited)

AS AT 30 SEPTEMBER 2017

	Holdings	Investments	Market Value (£)	% of net asset value 30 Sep 2017	% of net asset value 30 Sep 2016
France – 8.56%					
	1,320	L'Oreal	208,555	4.85	
	1,548	Pernod Ricard	159,385	3.71	
			367,940	8.56	10.32
Germany – 4.92%					
	2,596	SAP	211,242	4.92	
			211,242	4.92	2.98
Ireland – 7.47%					
	3,151	Accenture	320,939	7.47	
			320,939	7.47	4.90#
Italy – 1.69%					
	13,248	Davide Campari-Milano	72,441	1.69	
			72,441	1.69	1.16
Japan – 0.00%					
			–	–	2.49
Netherlands – 1.23%					
	3,342	RELX (Netherlands Listing)	52,832	1.23	
			52,832	1.23	0.91
Switzerland – 1.12%					
	773	Nestlé	48,284	1.12	
			48,284	1.12	4.75
United Kingdom – 29.29%					
	5,415	British American Tobacco	253,720	5.91	
	1,813	British American Tobacco ADR	84,662	1.97	
	5,922	Experian	89,067	2.07	
	4,633	Reckitt Benckiser	316,619	7.37	
	6,518	RELX (London Listing)	106,374	2.48	
	9,425	Unilever	407,820	9.49	
			1,258,262	29.29	25.71#
United States – 44.82%					
	2,309	Altria	110,809	2.58	
	1,248	Automatic Data Processing	101,656	2.37	
	3,994	Coca-Cola	133,929	3.12	
	698	Danaher	44,329	1.03	
	347	International Flavors & Fragrances	36,969	0.86	
	618	Intuit	65,706	1.53	
	5,688	Microsoft	313,852	7.30	
	491	Moody's	50,843	1.18	
	3,301	NIKE	129,805	3.02	
	2,372	Philip Morris International	198,122	4.61	
	296	Time Warner	22,614	0.53	
	5,122	Twenty-First Century Fox 'A' Shares	101,606	2.36	
	4,196	Twenty-First Century Fox 'B' Shares	81,544	1.90	
	2,667	Visa	208,334	4.85	
	2,210	Walt Disney	161,886	3.77	
	3,458	Zoetis	163,573	3.81	
			1,925,577	44.82	44.86
Swaps Contracts – (0.11)%					
	2,913,304	Morgan Stanley International Total Return Swap Pay 0.5% 03/05/2018	(1,090)	(0.02)	
	2,731,248	Morgan Stanley International Total Return Swap Pay 2% 03/05/2018	(3,184)	(0.08)	
	2,906,884	Morgan Stanley International Total Return Swap Rec 0.5% 31/05/2018	218	0.01	
	2,707,388	Morgan Stanley International Total Return Swap Pay 2% 31/05/2018	(1,061)	(0.02)	
			(5,117)	(0.11)	0.22
		Portfolio of investments	4,252,400	98.99	98.30
		Net other assets	43,513	1.01	1.70
		Net assets	4,295,913	100.00	100.00

All holdings are ordinary shares unless otherwise stated.

Since the previous report the classification headings have been updated by data providers. Comparative figures have been updated where appropriate.

Global Brands Equity Income Fund

Portfolio Statement (unaudited) (continued)

AS AT 30 SEPTEMBER 2017

Financial derivative instrument risk exposure.

The exposure obtained through financial derivative instruments and identity of counterparties as at 30 September 2017 was as follows:

Swap Contracts

Counterparty	Notional value (£)	Value of exposure (£)
Morgan Stanley	11,258,824	5,117
Total	11,258,824	5,117

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

Swap Contracts

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

Global Brands Equity Income Fund

Securities Financing Transactions (unaudited)

AS AT 30 SEPTEMBER 2017

In accordance with Article 13 of the Regulation (EU) 2015/2365, the Fund's sole involvement in and exposure related to securities financing transactions is its engagement in total return swap activity for the year ended 30 September 2017 as detailed below:

1) Global Data

Assets engaged in Total Return Swaps	GBP	%
Total Net Assets	4,295,913	
Unrealised Gain and Loss in Fund Currency (in absolute value):		
Total return swaps	5,553	
% of Total Net Asset Value		0.13%

2) Concentration Data

The following table provides details of all counterparties in respect of as the total return swaps at the reporting date.

Counterparty Name	Incorporation Country	Unrealised Gain and Loss in GBP (in absolute value)
Morgan Stanley & Co. International Plc	United Kingdom	5,553

3) Aggregate transaction data

No collateral was received or granted by the Fund with respect to the Total Return Swap transaction during the year to the reporting date.

The following table provides an analysis of the maturity tenor, based on the contractual maturity date, in respect of the Total Return Swaps as at the reporting date:

Maturity Tenor of Total Return Swaps (remaining period to maturity)

Type	Less than one day	One day to one week	One week to one month	One to three months	Three months to one year	Above one year	Open transactions	Total
Total return swaps	-	-	-	-	5,553	-	-	5,553
	-	-	-	-	5,553	-	-	5,553

4) Return and Cost

All returns from total return swap will accrue to the Fund and are not subject to any returns sharing arrangements with the Fund's ACD or any other third parties.

The following table provides an analysis of return and cost in respect of the total return swaps as at the reporting date:

	Global Brands Equity Income Fund GBP
Return	
Interest received on total return swap transactions	100,790
Net realised gain/(loss) on total return swap contracts	(136,822)
Net change in unrealised appreciation/(depreciation) on total return swap contracts	(19,686)
	(55,718)
Cost	
Interest paid on total return swap transactions	-
	-
Net Return	(55,718)

Global Brands Equity Income Fund

Statement of Total Return

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Notes	30 Sep 17 (£)	30 Sep 17 (£)	30 Sep 16 (£)	30 Sep 16 (£)
Income					
Net capital gains	4		199,117		22,860
Revenue	5	184,679		13,503	
Expenses	6	(31,833)		(1,905)	
Net revenue before taxation		152,846		11,598	
Taxation	7	(22,549)		(2,977)	
Net revenue after taxation			130,297		8,621
Total return before distributions			329,414		31,481
Distributions	8		(158,075)		(10,145)
Change in net assets attributable to shareholders from investment activities			171,339		21,336

Statement of Change in Net Assets Attributable to Shareholders

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	30 Sep 17 (£)	30 Sep 17 (£)	30 Sep 16 (£)	30 Sep 16 (£)
Opening net assets attributable to shareholders		3,526,409		-
Amounts receivable on issue of shares	526,898		3,500,000	
Amounts payable on cancellation of shares	(7,950)		-	
		518,948		3,500,000
Change in net assets attributable to shareholders from investment activities (see above)		171,339		21,336
Retained distribution on accumulation shares		79,217		5,073
Closing net assets attributable to shareholders		4,295,913		3,526,409

Balance Sheet

AS AT 30 SEPTEMBER 2017

	Notes	30 Sep 2017 (£)	30 Sep 2017 (£)	30 Sep 2016 (£)	30 Sep 2016 (£)
Assets					
Investment assets			4,257,735		3,466,331
Debtors	9	29,137		20,973	
Cash and bank balances	10	91,744		64,236	
Total other assets			120,881		85,209
Total assets			4,378,616		3,551,540
Liabilities					
Investment liabilities			5,335		-
Creditors	11	58,535		20,058	
Distribution payable on income shares		18,833		5,073	
Total liabilities			82,703		25,131
Net assets attributable to shareholders			4,295,913		3,526,409

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

Global Brands Equity Income Fund

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

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 and Republic of Ireland.

(b) Revenue

Dividends on equities and preference stock 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 accruals basis. Expenses other than those relating to the purchase and sale of investments, are charged against revenue in the Statement of Total Return. At the Manager's discretion all expenses were reimbursed by capital for distribution purposes during the year. The amount reimbursed may vary between accounting periods.

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 period is shown in notes 4 and 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. The value of derivative contracts is calculated with reference to the price/value of the underlying assets and other relevant factors such as interest rates and volatility.

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, 29 September 2017. 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 hold 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 Fund will be accounted for in accordance with the SORP. Derivative transactions will be treated as either revenue or capital depending on the motives and circumstances on acquisition.

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 face 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.

Global Brands Equity Income Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

These risks and the ACD's policies for managing them are summarised below and have been applied to the Fund throughout the 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 Sterling, 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 ('IM') 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 2017, 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 £212,620 (2016: £173,317).

(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 2017, if the value of Sterling 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 £30,874 (2016: £25,647).

The Fund's currency exposure as at 30 September 2017 was:

Currency	Net foreign currency assets		Total £
	Monetary Exposure £	Non- Monetary Exposure £	
Euro	1,069	704,455	705,524
Swiss Franc	334	48,284	48,618
US Dollar	7,222	2,326,061	2,333,283
Total	8,625	3,078,800	3,087,425

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

Currency	Net foreign currency assets		Total £
	Monetary Exposure £	Non- Monetary Exposure £	
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 to be 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) 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 2017 was:

Currency	Floating Rate financial assets £	Financial assets not carrying interest £	Total £
	2017		
Euro	-	705,524	705,524
Pound Sterling	91,744	1,194,112	1,285,856
Swiss Franc	-	48,618	48,618
US Dollar	-	2,338,618	2,338,618
Total	91,744	4,286,872	4,378,616
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

Global Brands Equity Income Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

Currency	Floating Rate financial liabilities £	Financial liabilities not carrying interest £	Total £
2017			
Pound Sterling	–	77,368	77,368
US Dollar	–	5,335	5,335
Total	–	82,703	82,703
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 IM on a regular basis and fair valued as appropriate.

All of the Fund's financial assets as at 30 September 2017 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 its value to ensure settlement.

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

The IM's 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 the 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 its 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 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 IM 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 2017.

	2017	2016
Lowest	33.75%	42.95%
Highest	44.55%	62.43%
Average	38.20%	45.49%

Leverage

Average Leverage is calculated as the sum of the notional value of all derivatives in the fund divided by the net asset value.

	2017	2016
Average Gross Leverage	195%	204%*

* Results were backfilled following an internal review and adjustment to the calculation process to account for differing base currencies in derivative mandates.

4. NET CAPITAL GAINS

	30 Sep 17 (£)	30 Sep 16 (£)
Gains/(losses) on non-derivative securities	363,218	(3,826)
Losses on derivative contracts	(156,508)	(3,443)
Currency (losses)/gains	(1,059)	31,202
Transaction charges	(17,176)	(1,073)
ACD's reimbursement to capital	10,642	–
Net capital gains	199,117	22,860

Global Brands Equity Income Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

5. REVENUE

	30 Sep 17 (£)	30 Sep 16 (£)
Overseas dividends	55,647	6,870
UK dividends	28,238	–
Swap income	100,790	6,633
Bank interest	4	–
Total revenue	184,679	13,503

6. EXPENSES

	30 Sep 17 (£)	30 Sep 16 (£)
Payable to the ACD, associates of the ACD and agents of either of them:		
Management charge	32,428	2,517
Administration charge	9,573	740
	42,001	3,257
Other expenses:		
Financial Conduct Authority fee	481	41
Audit fee**	9,422	6,000
Depository's fees	(59)*	824
Safe custody fees	(6,450)*	6,907
Professional fees	30,113	–
Printing & production costs	9,430	1,010
	42,937	14,782
Expenses	84,938	18,039
Less ACD reimbursement to revenue	(53,105)	(16,134)
Total expenses	31,833	1,905

* Due to overaccrual within prior year.

** The audit fee for the year, excluding VAT, was £7,850 (2016: £5,000).

7. TAXATION

(a) Analysis of charge in the year:

	30 Sep 17 (£)	30 Sep 16 (£)
Corporation tax	16,104	946
Overseas tax	6,445	2,031
Total taxation	22,549	2,977

(b) Factors affecting 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 17 (£)	30 Sep 16 (£)
Net revenue before taxation	152,846	11,598
Corporation tax of 20% (2016: 20%)	30,569	2,320
Effects of:		
Revenue not subject to corporation tax	(16,777)	(1,374)
Overseas tax	6,445	2,031
Expenses not deductible for tax purposes	2,312	–
Total tax for the year	22,549	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 17 (£)	30 Sep 16 (£)
Interim	121,533	–
Final	36,871	10,145
Add: Amounts deducted on cancellation of shares	71	–
Less: Amounts received on issue of shares	(400)	–
Net distribution for the year	158,075	10,145

Distributions are represented by:

	30 Sep 17 (£)	30 Sep 16 (£)
Net revenue after taxation	130,297	8,621
Tax relief on expenses offset against capital	(4,055)	(381)
Expenses taken to capital	31,833	1,905
Net distribution for the year	158,075	10,145

Details of the distribution per share are set out in the Distribution Tables on page 33 to 34.

10. CASH AND BANK BALANCES

	30 Sep 17 (£)	30 Sep 16 (£)
Cash and bank balances	91,744	64,236
	91,744	64,236

11. CREDITORS

	30 Sep 17 (£)	30 Sep 16 (£)
Accrued expenses	31,092	16,595
Amounts payable to ACD	11,339	2,517
Corporation tax payable	16,104	946
	58,535	20,058

Global Brands Equity Income Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

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 notes 4 and 6.

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

One investor (Morgan Stanley Seed Holdings, Ltd) held 88% of the Fund as at the year end date and was deemed to be a related party (2016: One investor (Morgan Stanley Seed Holdings, Ltd) held 100% of the Fund as at the period end date and was deemed a related party).

13. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Fund had no contingent liabilities or capital commitments at the year end date (2016: £nil).

14. SHAREHOLDERS' FUNDS

The annual management charges for the Fund are as follows:

Class F	0.50%
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 Tables on pages 20 to 21. The distribution per share class is given in the Distribution Tables on pages 33 to 34.

15. PORTFOLIO TRANSACTION COSTS

Analysis of total trade costs.

For the year ending	Purchases		Sales	
	30 Sep 17	30 Sep 16*	30 Sep 17	30 Sep 16*
Equities	1,682,438	3,490,928	1,172,808	34,915
Trades in the year before transaction costs	1,682,438	3,490,928	1,172,808	34,915
Commissions				
Equities	854	1,448	(756)	(27)
Total Commissions	854	1,448	(756)	(27)
Taxes				
Equities	2,409	4,896	(16)	(1)
Total Taxes	2,409	4,896	(16)	(1)
Total costs	3,263	6,344	(772)	(28)
Total net trades in the year after transaction costs	1,685,701	3,497,272	1,172,036	34,887

* Prior year comparatives have been updated to be in line with current year disclosure. Derivative figures have been removed following updated Investment Association guidance.

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 dealing spread was 0.02% (2016: 0.00%*).

* Figures updated to correct dealing spread calculations.

Total transaction cost expressed as a percentage of asset class:

For the year ending	Purchases		Sales	
	30 Sep 17 %	30 Sep 16 %	30 Sep 17 %	30 Sep 16 %
Commissions				
Equities	0.051	0.041	(0.064)	(0.077)
Taxes				
Equities	0.143	0.140	(0.001)	(0.003)

Total transaction cost expressed as a percentage of average NAV:

For the year ending	30 Sep 17 %	30 Sep 16*
Commissions	0.038	0.050
Taxes	0.058	0.166
Total	0.096	0.216

* Prior year comparatives have been updated to use correct average NAV figures.

Global Brands Equity Income Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

16. SHARE RECONCILIATION

Reconciliation of the share movements in the year	30 Sep 17	
	F Income	I Accumulation
Opening shares in issue	–	175,000
Creations during the year	50,695	960
Cancellations during the year	–	(34)
Closing shares in issue	50,695	175,926

17. FAIR VALUE HIERARCHY

Valuation technique	30 Sep 17		30 Sep 16	
	Assets	Liabilities	Assets	Liabilities
Quoted prices for identical instruments in active markets [^]	4,257,517	–	3,458,559	–
Valuation techniques using observable market data ^{^^}	218	(5,335)	7,772	–
Valuation techniques using non-observable data ^{^^^}	–	–	–	–
	4,257,735	(5,335)	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.

18. POST BALANCE SHEET EVENT

There are no significant post balance sheet events.

Global Brands Equity Income Fund

Distribution Tables

FOR THE YEAR ENDED 30 SEPTEMBER 2017

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 October 2016

Group 2: shares purchased between 1 October 2016 and 31 December 2016

	Revenue (p)	Equalisation (p)	Distribution paid/accumulated 28 Feb 2017 (p)
Share Class I – Accumulation*			
Group 1	10.9326	–	10.9326
Group 2	6.4548	4.4778	10.9326
Share Class I – Income*			
Group 1	10.9100	–	10.9100
Group 2	10.9100	0.0000	10.9100

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 January 2017

Group 2: shares purchased between 1 January 2017 and 31 March 2017

	Revenue (p)	Equalisation (p)	Distribution paid/accumulated 31 May 2017 (p)
Share Class I – Accumulation*			
Group 1	11.9091	–	11.9091
Group 2	2.8058	9.1033	11.9091
Share Class I – Income*			
Group 1	11.7621	–	11.7621
Group 2	11.7621	0.0000	11.7621

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 April 2017

Group 2: shares purchased between 1 April 2017 and 30 June 2017

	Revenue (p)	Equalisation (p)	Distribution paid/accumulated 31 Aug 2017 (p)
Share Class I – Accumulation*			
Group 1	12.0612	–	12.0612
Group 2	5.5970	6.4642	12.0612
Share Class I – Income*			
Group 1	11.7436	–	11.7436
Group 2	9.4536	2.2900	11.7436

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

Global Brands Equity Income Fund

Distribution Tables (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

FINAL DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 July 2017

Group 2: shares purchased between 1 July 2017 and 30 September 2017

	Revenue (p)	Equalisation (p)	Distribution paid/accumulated 30 Nov 2017 (p)	Distribution paid/accumulated 30 Nov 2016 (p)
Share Class F – Income*				
Group 1	2.9810	–	2.9810	N/A
Group 2	1.3452	1.6358	2.9810	N/A
Share Class I – Accumulation				
Group 1	10.2534	–	10.2534	2.8986
Group 2	8.0549	2.1985	10.2534	2.8986
Share Class I – Income				
Group 1	9.8713	–	9.8713	2.8986
Group 2	1.5530	8.3183	9.8713	2.8986

* Share class F Income was launched on 29 August 2017.

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 of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

US Advantage Fund

as at 30 September 2017

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

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

1	2	3	4	5	6	7
---	---	---	---	---	---	---

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.

COMPARATIVE TABLES AS AT 30 SEPTEMBER 2017

	Share Class – F Accumulation	
	30 Sep 2017	30 Sep 2016
	(£)	
Change in net assets per share (iii)		
Opening net asset value per share	10.00	10.00
Return before operating charges	0.84	0.46
Operating charges	(0.05)	(0.10)
Return after operating charges	0.79	0.36
Distributions	–	–
Retained distributions on accumulation shares	–	–
Closing net asset value per share	10.79	10.36
After direct transaction costs of:	0.01	0.00
Performance (i)		
Return after operating charges	7.88%	3.61%
Other information		
Closing net asset value	24,469,964	3,626,274
Closing number of shares	2,268,320	350,000
Operating Charges (ii)	0.55%	1.00%
Direct transaction costs	0.10%	0.03%
Prices		
Highest share price	11.23	10.45
Lowest share price	9.52	10.00
	Share Class – I Accumulation	
	30 Sep 2017	30 Sep 2016
	(£)	
Change in net assets per share (iii)		
Opening net asset value per share	10.36	10.00
Return before operating charges	1.41	0.46
Operating charges	(0.10)	(0.10)
Return after operating charges	1.31	0.36
Distributions	–	–
Retained distributions on accumulation shares	–	–
Closing net asset value per share	11.67	10.36
After direct transaction costs of:	0.01	0.00
Performance (i)		
Return after operating charges	12.60%	3.61%
Other information		
Closing net asset value	4,080,358	3,626,274
Closing number of shares	349,768	350,000
Operating Charges (ii)	0.85%	1.00%
Direct transaction costs	0.10%	0.03%
Prices		
Highest share price	12.15	10.45
Lowest share price	10.31	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.

Share Class F Accumulation was launched on 28 November 2016 and there is no comparative data available.

US Advantage Fund

Fund Review (continued)

PERFORMANCE REVIEW

For the 12-month period ending 30 September 2017, the Fund's I Accumulation class shares underperformed the benchmark S&P 500 Index by 2.24%, returning 12.60% (net of fees in sterling) versus 14.84% for the Index.

The long-term investment horizon and conviction-weighted investment approach embraced by the team since 1998 can result in periods of performance deviation from the benchmark and peers. Despite the Fund's double-digit return for the period, it lagged that of the benchmark due to unfavourable stock selection.

The Fund's relative underperformance was mainly driven by the Consumer Discretionary, Financials and Industrials sectors. In the Consumer Discretionary sector, both our stock selection and an overweight allocation in the sector had a negative impact on performance. The Fund underperformed in the Financials sector due to its avoidance of Banks, which performed very well during the reporting period on expectations of rising U.S. interest rates and bank-friendly reforms proposed by the Trump administration. In addition, the Financials sector was the top-performing sector in the S&P 500 Index in the period, and the Fund held an underweight overall exposure, which further dampened relative performance. Stock selection hampered performance in the Industrials sector, although the relative loss was somewhat offset by the positive contribution from an overweight in the sector.

The Fund's underweight allocations to the Energy, Consumer Staples and Health Care sectors, as well as zero weights in Real Estate, Telecommunication Services and Utilities contributed positively to relative performance. On an individual holdings basis, social media platform Facebook added the most value. Its shares outperformed on continued strong execution. The company has been reporting healthy results, characterized by strong growth in users, engagement, monetization and profitability.

MARKET REVIEW

In the 12-month period, the S&P 500 Index gained 14.84% in sterling terms. The best-performing sectors in this period were Financials, Information Technology, Industrials and Materials, supported by positive economic data in the U.S. and optimism regarding President Trump's fiscal agenda. The sectors that lagged the most included the less economically sensitive Telecommunication Services and Consumer Staples sectors, as well as the interest-rate sensitive Real Estate sector. The Energy sector was also among the weakest-performing segments of the market, as supply gluts continued to weigh on oil prices.

PORTFOLIO ACTIVITY

Following the Fund's commencement of operations just prior to the start of this reporting period on 15 September 2016, we worked to fully invest the fund's portfolio. 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 is looking for high-quality growth companies that have these attributes: a sustainable competitive advantage, business visibility, rising return on invested capital, free cash flow and a favourable risk/reward. We find these companies through intense fundamental research. Our emphasis is on secular growth and, as a result, short-term market events are not as meaningful in the stock selection process. It is our goal to hold a portfolio of high-quality growth stocks we believe will perform well regardless of the market environment.

As a team, we believe having a market outlook can be an anchor. Our focus is on assessing a company over a three- to five-year horizon.

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 2017

	Holdings	Investments	Market Value (£)	% of net asset value 30 Sep 2017	% of net asset value 30 Sep 2016
Consumer Goods – 9.29%					
	20,759	Activision Blizzard	985,370	3.45	
	6,810	LVMH Moet Hennessy Louis Vuitton	1,392,427	4.87	
	7,025	NIKE	276,245	0.97	
			2,654,042	9.29	13.37
Consumer Services – 21.07%					
	3,026	Amazon.com	2,161,881	7.57	
	9,720	L Brands	308,943	1.08	
	515	Priceline	697,113	2.44	
	34,617	Starbucks	1,409,096	4.94	
	13,070	TJX	722,053	2.53	
	9,772	Walt Disney	715,815	2.51	
			6,014,901	21.07	24.51
Financials – 17.39%					
	10,551	Berkshire Hathaway	1,443,432	5.05	
	21,235	IHS Markit	700,006	2.45	
	6,791	Mastercard	711,066	2.49	
	8,174	MSCI	714,004	2.50	
	12,035	S&P Global	1,397,999	4.90	
			4,966,507	17.39	16.79
Health Care – 2.70%					
	16,280	Zoetis	770,089	2.70	
			770,089	2.70	4.46
Industrials – 22.72%					
	11,041	Danaher	701,199	2.46	
	6,029	Fortive	314,919	1.10	
	2,811	Martin Marietta Materials	430,534	1.51	
	1,602	Sherwin-Williams	427,467	1.50	
	5,216	TransDigm	987,977	3.46	
	11,760	Union Pacific	1,018,984	3.57	
	16,832	United Technologies	1,456,703	5.10	
	11,627	Verisk Analytics	715,742	2.51	
	4,856	Vulcan Materials	432,120	1.51	
			6,485,645	22.72	13.87
Oil & Gas – 0.00%					
			-	-	0.99
Technology – 22.55%					
	2,472	Alphabet	1,754,430	6.15	
	13,559	Facebook	1,709,261	5.99	
	14,815	Salesforce.com	1,024,786	3.59	
	8,371	ServiceNow	729,460	2.55	
	41,283	Twitter	519,739	1.82	
	9,200	Workday	699,761	2.45	
			6,437,437	22.55	24.40
Options – 0.04%					
	7,005,106	Currency Option USD Call CNH Put 7.55% August 2018	12,248	0.04	
	4,537,255	Currency Option USD Call CNY Put 7.4% November 2017	37	0.00	
			12,285	0.04	0.00
		Portfolio of investments	27,340,906	95.76	98.39
		Net other assets	1,209,416	4.24	1.61
		Net assets	28,550,322	100.00	100.00

All holdings are ordinary shares unless otherwise stated.

US Advantage Fund

Portfolio Statement (unaudited) (continued)

AS AT 30 SEPTEMBER 2017

Financial derivative instrument risk exposure.

The exposure obtained through financial derivative instruments and identity of counterparties as at 30 September 2017 was as follows:

Options Contracts

Counterparty	Notional value (£)	Value of exposure (£)
Royal Bank of Scotland	11,542,361	12,285
Total	11,542,361	12,285

US Advantage Fund

Statement of Total Return

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Notes	30 Sep 2017 (£)	30 Sep 2017 (£)	30 Sep 2016 (£)	30 Sep 2016 (£)
Income					
Net capital gains	4		1,421,795		127,140
Revenue	5	104,065		705	
Expenses	6	(102,529)		(1,361)	
Interest payable and similar charges		-		-	
Net revenue/(expense) before taxation		1,536		(656)	
Taxation	7	(15,738)		(210)	
Net expense after taxation			(14,202)		(866)
Total return before distributions			1,407,593		126,274
Equalisation	8		(12,983)		-
Change in net assets attributable to shareholders from investment activities			1,394,610		126,274

Statement of Change in Net Assets Attributable to Shareholders

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	30 Sep 2017 (£)	30 Sep 2017 (£)	30 Sep 2016 (£)	30 Sep 2016 (£)
Opening net assets attributable to shareholders		3,626,274		-
Amounts receivable on issue of shares	24,026,085		3,500,000	
Amounts payable on cancellation of shares	(509,826)		-	
		23,516,259		3,500,000
Dilution adjustment charged		13,179		-
Change in net assets attributable to shareholders from investment activities (see above)		1,394,610		126,274
Retained distribution on accumulation shares		-		-
Closing net assets attributable to shareholders		28,550,322		3,626,274

Balance Sheet

AS AT 30 SEPTEMBER 2017

	Notes	30 Sep 2017 (£)	30 Sep 2017 (£)	30 Sep 2016 (£)	30 Sep 2016 (£)
Assets					
Investment assets			27,340,906		3,567,827
Debtors	9	30,051		25,589	
Cash and bank balances	10	1,313,179		62,798	
Total other assets			1,343,230		88,387
Total assets			28,684,136		3,656,214
Liabilities					
Creditors	11	133,814		29,940	
Total liabilities			133,814		29,940
Net assets attributable to shareholders			28,550,322		3,626,274

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

US Advantage Fund

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

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 and Republic of Ireland.

(b) Revenue

Dividends on equities and preference stock 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 accruals 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 period is shown in notes 4 and 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. The value of derivative contracts is calculated with reference to the

price/value of the underlying assets and other relevant factors such as interest rates and volatility.

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, 29 September 2017. 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 Fund will be accounted for in accordance with the SORP. 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 face 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 YEAR ENDED 30 SEPTEMBER 2017

These risks and the ACD's policies for managing them are summarised below and have been applied to the Fund throughout the 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 Sterling, 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 ('IM') 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 2017, 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 £1,367,045 (2016: £178,391).

(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 2017, if the value of Sterling 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 £273,281 (2016: £35,652).

The Fund's currency exposure as at 30 September 2017 was:

Currency	Net foreign currency assets		
	Monetary Exposure £	Non-Monetary Exposure £	Total £
Euro	900	1,392,427	1,393,327
Swiss Franc	140	-	140
US Dollar	(1,527)	25,936,194	25,934,667
Total	(487)	27,328,621	27,328,134

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

Currency	Net foreign currency assets		
	Monetary Exposure £	Non-Monetary Exposure £	Total £
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 to be 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) 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 2017 was:

Currency	Floating Rate financial assets £	Financial assets not carrying interest £	Total £
	2017		
Euro	73	1,393,254	1,393,327
Pound Sterling	1,280,204	27,439	1,307,643
Swiss Franc	140	-	140
US Dollar	32,762	25,950,264	25,983,026
Total	1,313,179	27,370,957	28,684,136
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

US Advantage Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

Currency	Floating Rate financial liabilities £	Financial liabilities not carrying interest £	Total £
2017			
Pound Sterling	–	85,455	85,455
US Dollar	–	48,359	48,359
Total	–	133,814	133,814
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.

(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 IM on a regular basis and fair valued as appropriate.

All of the Fund's financial assets as at 30 September 2017 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 its value to ensure settlement.

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

The IM's 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 the 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 its 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 IM will be able to successfully hedge the Fund.

4. NET CAPITAL GAINS

	30 Sep 17 (£)	30 Sep 16 (£)
Gains on non-derivative securities	1,620,905	129,838
(Losses)/gains on derivative contracts	(30,186)	–
Currency losses	(162,241)	(2,582)
Transaction charges	(11,797)	(519)
ACD's reimbursement to capital	5,114	403
Net capital gains	1,421,795	127,140

5. REVENUE

	30 Sep 17 (£)	30 Sep 16 (£)
Overseas dividends	104,058	705
Bank interest	7	–
Total revenue	104,065	705

US Advantage Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

6. EXPENSES

	30 Sep 17 (£)	30 Sep 16 (£)
Payable to the ACD, associates of the ACD and agents of either of them:		
Management charge	80,164	1,032
Administration charge	42,679	369
	122,843	1,401
Other expenses:		
Financial Conduct Authority fee	480	20
Audit fee**	9,422	6,000
Depository's fees	2,803	400
Safe custody fees	(2,913)*	3,342
Professional fees	31,117	-
Printing & production costs	9,951	489
	50,860	10,251
Expenses	173,703	11,652
Less ACD reimbursement to revenue	(71,174)	(10,291)
Total expenses	102,529	1,361

* Due to overaccrual within prior year.

** The audit fee for the year, excluding VAT, was £7,850 (2016: £5,000).

7. TAXATION

(a) Analysis of charge in the year:

	30 Sep 17 (£)	30 Sep 16 (£)
Overseas tax	15,738	210
Total taxation	15,738	210

(b) Factors affecting tax charge for the year:

The tax assessed for the year 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 17 (£)	30 Sep 16 (£)
Net revenue before taxation	1,536	(656)
Corporation tax of 20% (2016: 20%)	307	(131)
Effects of:		
Revenue not subject to corporation tax	(20,812)	(141)
Rebated capital expenses deductible for tax purposes	2,309	80
Movement in excess expenses	18,277	192
Prior year adjustments – movement in excess expenses	(81)	-
Overseas tax	15,738	210
Total tax for the year	15,738	210

(c) Provision for deferred tax

At 30 September 2017 the fund had surplus management expenses of £92,346 (2016: £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 £18,469 (2016: £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 17 (£)	30 Sep 16 (£)
Final	-	-
Add: Amounts deducted on cancellation of shares	(232)	-
Less: Amounts received on issue of shares	13,215	-
Net distribution for the year	12,983	-

Distributions are represented by:

	30 Sep 17 (£)	30 Sep 16 (£)
Net expense after taxation	(14,202)	(866)
Tax relief on expenses offset against capital	-	80
Share classes I and F shortfall funded from capital	27,185	786
Net distribution for the year	12,983	-

As the expenses exceeded revenue there will be no final distribution for the year ended 30 September 2017.

9. DEBTORS

	30 Sep 17 (£)	30 Sep 16 (£)
Accrued revenue	1,785	221
Sales awaiting settlement	-	14,675
Overseas tax recoverable	828	-
Reimbursement of expenses receivable from ACD	27,438	10,693
Total	30,051	25,589

10. CASH AND BANK BALANCES

	30 Sep 17 (£)	30 Sep 16 (£)
Cash and bank balances	1,313,179	62,798
Total	1,313,179	62,798

11. CREDITORS

	30 Sep 17 (£)	30 Sep 16 (£)
Purchases awaiting settlement	48,360	17,770
Accrued expenses	46,322	11,138
Amounts payable to ACD	39,132	1,032
Total	133,814	29,940

US Advantage Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

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 notes 4 and 6.

One investor (Morgan Stanley Seed Holdings, Ltd) held 17% of the Fund as at the year end date and was deemed to be a related party (2016: One investor (Morgan Stanley Seed Holdings, Ltd) held 100% of the Fund as at the period end date and was deemed to be a related party).

13. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Fund had no contingent liabilities or capital commitments at the year end date (2016: £nil).

14. SHAREHOLDERS' FUNDS

The annual management charges for the Fund are as follows:

Class F	0.40%
Class I	0.70%

The net asset value, the net asset value per share and the number of shares are set out in the Comparative Tables on page 35. The distribution per share class is given in the Distribution Tables on page 46.

15. PORTFOLIO TRANSACTION COSTS

Analysis of total trade costs.

For the year ending	Purchases		Sales	
	30 Sep 17	30 Sep 16	30 Sep 17	30 Sep 16
Equities	33,248,786	3,462,644	11,070,813	25,742
Trades in the year before transaction costs	33,248,786	3,462,644	11,070,813	25,742
Commissions				
Equities	9,568	907	(4,211)	(4)
Total Commissions	9,568	907	(4,211)	(4)
Taxes				
Equities	5,466	175	(234)	(1)
Total Taxes	5,466	175	(234)	(1)
Total costs	15,034	1,082	(4,445)	(5)
Total net trades in the year after transaction costs	33,263,820	3,463,726	11,066,368	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 dealing spread was 0.02% (2016: 0.02%*).

* Figures updated to correct dealing spread calculations.

Total transaction cost expressed as a percentage of asset class:

For the year ending	Purchases		Sales	
	30 Sep 17 %	30 Sep 16 %	30 Sep 17 %	30 Sep 16 %
Commissions				
Equities	0.029	0.026	(0.038)	(0.016)
Taxes				
Equities	0.016	0.005	(0.002)	(0.004)

Total transaction cost expressed as a percentage of average NAV:

For the year ending	30 Sep 17 %	30 Sep 16 %
Commissions	0.070	0.025
Taxes	0.029	0.005
Total	0.099	0.030

US Advantage Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

16. SHARE RECONCILIATION

Reconciliation of the share movements in the year	30 Sep 2017	
	F Accumulation	I Accumulation
		(£)
Opening shares in issue	–	350,000
Creations during the year	2,313,880	1,325
Cancellations during the year	(45,560)	(1,557)
Closing shares in issue	2,268,320	349,768

17. FAIR VALUE HIERARCHY

Valuation technique	Assets		Liabilities	
	30 Sep 2017	30 Sep 2017	30 Sep 2016	30 Sep 2016
Quoted prices for identical instruments in active markets [^]	27,328,621	–	3,567,827	–
Valuation techniques using observable market data ^{^^}	12,285	–	–	–
Valuation techniques using non-observable data ^{^^^}	–	–	–	–
	27,340,906	–	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.

18. POST BALANCE SHEET EVENT

There are no significant post balance sheet events.

US Advantage Fund

Distribution Table

FOR THE YEAR ENDED 30 SEPTEMBER 2017

FINAL DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 October 2016

Group 2: shares purchased between 1 October 2016 and 30 September 2017

	Revenue (p)	Equalisation (p)	Distribution paid/accumulated 30 Nov 2017 (p)	Distribution paid/accumulated 30 Nov 2016 (p)
Share Class F - Accumulation*				
Group 1	0.0000	–	0.0000	N/A
Group 2	0.0000	0.0000	0.0000	N/A
Share Class I - Accumulation				
Group 1	0.0000	–	0.0000	0.0000
Group 2	0.0000	0.0000	0.0000	0.0000

* Share Class F Accumulation was launched 28 November 2016 and there is no comparative data 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 of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

Sterling Corporate Bond Fund

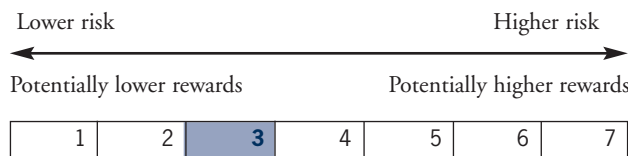
as at 30 September 2017

Fund Review

INVESTMENT OBJECTIVE

The objective of the Fund is to provide an attractive rate of return through investment primarily in sterling corporate and other sterling non-gilt fixed interest securities. A proportion of the Fund may also invest in non-sterling fixed interest securities as well as UK Gilts.

RISK AND REWARD PROFILE



The risk and reward category shown is based on historic 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 fixed income securities 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 bonds are likely to decrease if interest rates rise and vice versa.
- The value of financial derivative instruments are highly sensitive and may result in losses in excess of the amount invested by the Sub-Fund.
- Issuers may not be able to repay their debts, if this happens the value of your investment will decrease. This risk is higher where the fund invests in a bond with a lower credit rating.
- 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.

COMPARATIVE TABLES AS AT 30 SEPTEMBER 2017

	Share Class A – Accumulation		
	30 Sep 2017	30 Sep 2016	30 Sep 2015
	(£)	(£)	(£)
Change in net assets per share (iii)			
Opening net asset value per share	24.10	21.66	21.03
Return before operating charges*	0.48	2.77	0.95
Operating charges	(0.24)	(0.23)	(0.22)
Return after operating charges*	0.24	2.54	0.73
Distributions	(0.48)	(0.53)	(0.53)
Retained distributions on accumulation shares	0.48	0.43	0.43
Closing net asset value per share	24.34	24.10	21.66
* After direct transaction costs of:			
	-	-	-
Performance (i)			
Return after operating charges	1.00%	11.77%	3.49%
Other information			
Closing net asset value	3,403,038	4,024,123	2,925,915
Closing number of shares	139,794	166,962	135,084
Operating Charges (ii)	1.00%	1.00%	1.00%
Direct transaction costs	0.00%	0.00%	0.00%
Prices			
Highest share price	24.82	24.35	22.60
Lowest share price	23.20	21.62	21.55

	Share Class A – Income		
	30 Sep 2017	30 Sep 2016	30 Sep 2015
	(£)	(£)	(£)
Change in net assets per share (iii)			
Opening net asset value per share	15.79	14.46	14.31
Return before operating charges*	0.32	1.83	0.66
Operating charges	(0.16)	(0.15)	(0.15)
Return after operating charges*	0.16	1.68	0.51
Distributions	(0.31)	(0.35)	(0.36)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	15.64	15.79	14.46
* After direct transaction costs of:			
	-	-	-
Performance (i)			
Return after operating charges	0.99%	11.69%	3.54%
Other information			
Closing net asset value	685,286	754,769	600,214
Closing number of shares	43,820	47,791	41,519
Operating Charges (ii)	1.00%	1.00%	1.00%
Direct transaction costs	0.00%	0.00%	0.00%
Prices			
Highest share price	16.10	16.09	15.38
Lowest share price	15.20	14.43	14.52

Sterling Corporate Bond Fund

Fund Review (continued)

	Share Class I – Accumulation			Share Class – F Accumulation		
	30 Sep 2017	30 Sep 2016	30 Sep 2015	30 Sep 2017	30 Sep 2016	30 Sep 2015
	(£)	(£)	(£)	(£)	(£)	(£)
Change in net assets per share (iii)						
Opening net asset value per share	25.69	22.97	22.19	1.20	1.07	1.03
Return before operating charges*	0.53	2.96	1.01	0.02	0.14	0.04
Operating charges	(0.10)	(0.09)	(0.09)	-	-	-
Return after operating charges*	0.43	2.87	0.92	0.02	0.14	0.04
Distributions	(0.67)	(0.72)	(0.71)	(0.03)	(0.04)	(0.03)
Retained distributions on accumulation shares	0.67	0.57	0.57	0.03	0.03	0.03
Closing net asset value per share	26.12	25.69	22.97	1.22	1.20	1.07
* After direct transaction costs of:	-	-	-	-	-	-
Performance (i)						
Return after operating charges	1.64%	12.47%	4.15%	1.78%	12.61%	4.31%
Other information						
Closing net asset value	28,088,709	43,827,113	32,967,599	60,277,500	49,636,427	25,922,007
Closing number of shares	1,075,554	1,705,799	1,435,109	49,477,504	41,392,691	24,202,002
Operating Charges (ii)	0.37%	0.37%	0.37%	0.22%	0.22%	0.22%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Prices						
Highest share price	26.62	25.94	23.89	1.24	1.21	1.11
Lowest share price	24.75	22.98	22.82	1.16	1.07	1.06

	Share Class – I Income			Share Class F – Income		
	30 Sep 2017	30 Sep 2016	30 Sep 2015	30 Sep 2017	30 Sep 2016	30 Sep 2015
	(£)	(£)	(£)	(£)	(£)	(£)
Change in net assets per share (iii)						
Opening net asset value per share	15.77	14.43	14.28	1.12	1.03	1.02
Return before operating charges*	0.31	1.85	0.65	0.02	0.12	0.04
Operating charges	(0.06)	(0.06)	(0.05)	-	-	-
Return after operating charges*	0.25	1.79	0.60	0.02	0.12	0.04
Distributions	(0.41)	(0.45)	(0.45)	(0.03)	(0.03)	(0.03)
Retained distributions on accumulation shares	-	-	-	-	-	-
Closing net asset value per share	15.61	15.77	14.43	1.11	1.12	1.03
* After direct transaction costs of:	-	-	-	-	-	-
Performance (i)						
Return after operating charges	1.62%	12.37%	4.20%	1.75%	12.43%	4.31%
Other information						
Closing net asset value	48,474,522	27,705,687	2,898,331	87,274,875	77,889,568	60,278,459
Closing number of shares	3,104,661	1,757,170	200,860	78,515,817	69,383,038	58,634,836
Operating Charges (ii)	0.37%	0.37%	0.37%	0.22%	0.22%	0.22%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Prices						
Highest share price	16.12	16.10	15.38	1.14	1.14	1.09
Lowest share price	15.19	14.43	14.51	1.08	1.02	1.03

(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.

Sterling Corporate Bond Fund

Fund Review (continued)

PERFORMANCE REVIEW

For the 12-month period ending 30 September 2017, the Fund's I Accumulation class shares outperformed the benchmark Bank of America-Merrill Lynch Sterling Non-Gilt All Stocks Index by 1.95%, returning 1.56% (net of fees in sterling) versus -0.39% for the Index.

The outperformance of the Fund was driven by both interest rates and credit positioning. The Fund is positioned to be underweight credit in spread duration terms but is overweight some of the higher-beta sectors. The sterling credit market benefited from the positive technical support from the Bank of England's (BoE's) Corporate Bond Purchase Scheme (CBPS). The overweight to subordinated banks and insurance, consumer cyclical and utility sectors, as well as the overweight to corporate hybrids (some split-rated between investment-grade and high-yield), were the main contributors to positive relative performance in the credit space. Exposure to lower-rated bonds had a positive impact on performance, as bonds lower on the risk spectrum outperformed as investors continued the hunt for yield. New issues created relative value opportunities, which the Fund took advantage of. The underweight to duration had a positive impact on relative performance. During the period, five-year gilt yields rose 57 basis points and 10-year gilt yields rose 62 basis points. The Fund continues to be underweight to duration, viewing the risks posed by gilt yields at these levels to be asymmetric, while the underweight acts, in our opinion, as a hedge to owning credit in the current environment.

MARKET REVIEW

The sterling credit market continued to benefit from the positive technical support from the BoE's CBPS, with the periods of underperformance driven by President Donald Trump's victory in the U.S. elections or the outcome of the Italian referendum quickly reversing. Sterling investment-grade credit spreads were approximately 20 basis points tighter over the period, with financials (46 basis points tighter) outperforming industrials (4 basis points tighter) and utilities (5 basis points tighter). Most of the outperformance within financials came from subordinated bank and insurance bonds. Within industrials and utilities, the best-performing sector was basic industry, supported by rising commodity prices during the period. BBB rated bonds outperformed relative to A or better rated bonds. Gross issuance was strong, with financials dominating gross supply. The CBPS kept net sterling issuance fairly benign. Primary issues performed well, with strong demand for short-dated (1- to 5-year) paper. Gilt yields and other core government bond yields were higher across the curve. The moves were driven by a multitude of factors,

including 1) market speculation that major central banks will be less aggressive in boosting monetary stimulus and will have a bias to targeting steeper yield curves; 2) speculation that Trump's victory in the U.S. presidential election will increase the likelihood of fiscal stimulus and thus higher inflation expectations and steeper global yield curves; and 3) stronger-than-expected economic data coupled with above-consensus inflation prints (particularly in the U.K., which increased the likelihood of the BoE raising rates before the end of 2017).

During the period, the U.S. Federal Reserve raised rates three times, while the European Central Bank (ECB) announced an extension of its quantitative easing programme (albeit at a slower pace). Many market participants are expecting details of the ECB's tapering plans to be announced in the fourth quarter of 2017. In the U.K., the BoE kept policy unchanged during the period. Towards the end of the period, in a hawkish tilt, Governor Mark Carney (who chose to stay in his position until June 2019, an extension of one year) noted that a majority of Monetary Policy Committee members are biased towards tightening policy over the coming months. This is due to a continued decrease in the economy's slack and a rise in inflationary pressures. In March, the U.K. government triggered Article 50 of the Lisbon Treaty, starting the formal process of leaving the European Union (EU). Certain members of Prime Minister Theresa May's government have floated the idea of a transition arrangement, with the aim to help phase-in the exit from the EU. Negotiations have stalled over the issue of the liabilities to be paid by the U.K. upon exit, which the EU has estimated to be 50 billion euros. The new Chancellor Philip Hammond presented a new fiscal plan. Deficit reduction will be slowed compared to the previous plan of delivering a surplus by 2019-20. Instead, public investment spending will increase. The June snap election led to a hung parliament, where the Conservative Party took the most seats but lost its parliamentary majority. Younger voters increased their turnout and saw the election as a chance to vote for a softer Brexit. Though May was able to form a government with the support of Northern Ireland's Democratic Unionist Party, this was a blow to the prime minister, who had hoped to increase her bargaining power in the Brexit negotiations. The BoE's CBPS ended during the period, with minimal impact to sterling credit spreads. In terms of data, headline consumer price index inflation trended higher, ending the period at 2.9%, higher than consensus (and above the BoE's 2% target). The unemployment rate's three-month average ticked down to 4.3% at the end of the period, while gross domestic product growth remained robust. In the currency market, starting from a low base following the Brexit vote, sterling appreciated against major currencies, supported by stronger inflation and the increased probability of a rate rise in the U.K.

Sterling Corporate Bond Fund

Fund Review (continued)

PORTFOLIO ACTIVITY

The Fund has remained active throughout the period, participating in new issues and actively rotating existing issues. The allocation to financials has remained broadly unchanged during the period; however, at the margin, the Fund has decreased the allocation to higher-beta, lower-quality names as valuations compressed toward the end of the period. The Fund's exposure to industrials (underweight in spread duration terms but still overweight some of the higher-beta sectors) remained fairly constant throughout the period, with a small increase in allocation during the early part of the period to take advantage of the positive technicals from the BoE's CBPS. The Fund remained underweight to government-related securities, and to 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. Within the high-yield bucket, the portfolio took profits in names (notably gaming) that reached fair value and rotated into new names. The Fund remained underweight in duration during the period, with the underweight getting as low as -1.4 years and as high as -1.9 years versus the benchmark.

STRATEGY & OUTLOOK

The Fund continues to be positioned with a yield advantage over the benchmark. The Fund is currently overweight to subordinated financials, positioned in a mixture of banks and insurance in the Lower Tier 2 part of the capital structure in systemically important institutions. We expect financials to continue to benefit from the secular de-risking (partly driven by regulation), which we see transferring wealth from shareholders to bondholders. The Fund is positioned to be overweight to corporate hybrids, predominantly in large utilities, which issue hybrids to overcome a capital expenditure hump, and companies with no access to equity markets (e.g., government- or family-owned). The Fund is overweight BBB rated bonds versus A and above. The Fund is underweight higher-quality industrials on valuation grounds, as well as on concerns over increased merger and acquisition activity, which tends to transfer wealth from bondholders to shareholders. The Fund is underweight in duration relative to the benchmark as we expect contrasting forces of slow but stable global growth, uncertainty following Brexit and potentially higher inflation expectations as evidence to keep rates trading in a range with a slight upward bias. We continue to expect an environment with low interest volatility and accommodative central bank policy, which typically tends to favour carry strategies. We are wary of sharp curve steepening, which could be caused by stronger-than-consensus growth, but think underweights in risk-free rates provide a good hedge to carry-oriented strategies. We remain long of credit risk.

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 2017

	Nominal in GBP unless stated	Investments	Market Value (£)	% of net asset value 30 Sep 2017	% of net asset value 30 Sep 2016
Corporate Bonds – 81.62%					
	1,100,000	Aareal Bank 1% 04/06/2020	1,099,615	0.48	
	1,700,000	ABN AMRO Bank 1% 30/06/2020	1,712,291	0.75	
	900,000	ABN AMRO Bank 1% 30/06/2020 (unquoted)	895,941	0.39	
	200,000	ABP Finance 6.25% 14/12/2026	253,572	0.11	
	200,000	Aegon 6.125% 15/12/2031	270,820	0.12	
	300,000	Affinity Water Finance 5.875% 13/07/2026	390,138	0.17	
	450,000	Affordable Housing Finance 3.8% 20/05/2044	580,104	0.25	
	725,000	Affordable Housing Finance 2.893% 11/08/2045	815,219	0.36	
	600,000	American Honda Finance 1.3% 21/03/2022	594,258	0.26	
	350,000	Amgen 4% 13/09/2029	394,167	0.17	
	600,000	Anglian Water Osprey Financing 5% 30/04/2023	648,204	0.28	
	400,000	Anglian Water Services Financing 6.875% 21/08/2023	515,780	0.23	
	1,200,000	Anglian Water Services Financing 1.625% 10/08/2025	1,175,040	0.51	
	1,000,000	Anglian Water Services Financing 4.5% 22/02/2026	1,135,720	0.50	
	1,000,000	Anglian Water Services Financing 2.625% 15/06/2027	981,680	0.43	
	2,500,000	Anheuser-Busch 2.85% 25/05/2037	2,440,375	1.07	
	1,000,000	Annington Funding 2.646% 12/07/2025	1,006,100	0.44	
	750,000	Annington Funding 3.935% 12/07/2047	795,203	0.35	
	1,000,000	Apple 3.6% 31/07/2042	1,161,090	0.51	
	800,000	APT Pipelines 4.25% 26/11/2024	889,712	0.39	
EUR150,000		Aramark International Finance Sarl 3.125% 01/04/2025	137,879	0.06	
150,000		Ardagh Packaging Finance 4.75% 15/07/2027	150,887	0.07	
100,000		Arqiva Financing 5.34% 30/12/2037	117,477	0.05	
500,000		Arrow Global Finance 5.125% 15/09/2024	518,095	0.23	
600,000		ASB Finance 1% 07/09/2020	594,072	0.26	
EUR590,000		ASR 5.125% 29/09/2045	614,174	0.27	
1,725,000		AT&T 3.55% 14/09/2037	1,650,463	0.72	
250,000		Aviva 6.125% 14/11/2036	292,593	0.13	
1,000,000		Aviva 4.375% 12/09/2049	1,026,790	0.45	
300,000		Aviva 5.125% 04/06/2050	323,895	0.14	
600,000		AXA 7.125% 15/12/2020	699,606	0.31	
250,000		Bank of America 5.5% 22/11/2021	285,048	0.12	
1,000,000		Bank of America 4.25% 10/12/2026	1,137,550	0.50	
800,000		Bank of Ireland 3.125% 19/09/2027	790,224	0.35	
1,000,000		Barclays 3.125% 17/01/2024	1,034,400	0.45	
1,000,000		BAT Capital 2.125% 15/08/2025	982,110	0.43	
900,000		BAT International Finance 4% 23/11/2055	1,037,682	0.45	
1,300,000		BHP Billiton Finance 6.5% 22/10/2077	1,509,989	0.66	
1,500,000		BMW International Investment 1% 17/11/2021	1,478,595	0.65	
1,000,000		BNP Paribas 5.75% 24/01/2022	1,153,210	0.51	
600,000		BNP Paribas 1.125% 16/08/2022	591,660	0.26	
2,000,000		BP Capital Markets 2.03% 14/02/2025	1,998,000	0.88	
800,000		BPCE 5.25% 16/04/2029	937,224	0.41	
1,000,000		BUPA Finance 5% 08/12/2026	1,129,200	0.49	
1,500,000		Cadent Finance 2.625% 22/09/2038	1,414,680	0.62	
150,000		Cambridgeshire Housing Capital 4.25% 15/09/2045	179,669	0.08	
2,500,000		Canadian Imperial Bank of Commerce 1.125% 30/06/2022	2,480,200	1.09	
50,000		Canary Wharf Finance II 5.952% 22/10/2037	70,196	0.03	
450,000		Centrica 5.25% 10/04/2075	481,378	0.21	
2,475,000		Citigroup 3.887% 10/01/2028	1,893,179	0.83	
USD150,000		Citigroup 7.375% 01/09/2039	252,421	0.11	
1,000,000		CNP Assurances 7.375% 30/09/2041	1,181,930	0.52	
900,000		Comcast 5.5% 23/11/2029	1,180,953	0.52	
300,000		Commonwealth Bank of Australia 4.875% 19/12/2023	312,270	0.14	
EUR1,000,000		Commonwealth Bank of Australia 2% 22/04/2027	906,005	0.40	
1,000,000		Compass 2% 03/07/2029	968,440	0.42	
EUR250,000		Constellium 4.625% 15/05/2021	224,542	0.10	
1,000,000		Cooperatieve Rabobank 5.25% 14/09/2027	1,182,800	0.52	
1,500,000		Coventry Building Society 1% 05/05/2020	1,489,935	0.65	
1,000,000		CPUK Finance 2.666% 28/02/2042	1,026,130	0.45	
1,000,000		Credit Suisse 2.125% 12/09/2025	984,360	0.43	
100,000		Credit Suisse Finance 7% 05/10/2020	114,669	0.05	
700,000		Credit Suisse Funding 3% 27/05/2022	734,804	0.32	
600,000		Credit Suisse Funding 2.75% 08/08/2025	614,346	0.27	
1,000,000		Crh Finance UK 4.125% 02/12/2029	1,132,750	0.50	
1,900,000		Daimler 2.75% 04/12/2020	1,981,168	0.87	
2,000,000		Deutsche Bank 1.875% 28/02/2020	2,005,960	0.88	
2,600,000		Discovery Communications 2.5% 20/09/2024	2,541,682	1.11	

Sterling Corporate Bond Fund

Portfolio Statement (continued)

AS AT 30 SEPTEMBER 2017

	Nominal in GBP unless stated	Investments	Market Value (£)	% of net asset value 30 Sep 2017	% of net asset value 30 Sep 2016
Corporate Bonds – 81.62% (continued)					
	1,500,000	DONG Energy 4.875% 12/01/2032	1,860,495	0.81	
	1,000,000	DS Smith 2.875% 26/07/2029	976,130	0.43	
	500,000	Eastern Power Networks 5.75% 08/03/2024	610,700	0.27	
	1,000,000	EDP Finance 8.625% 04/01/2024	1,346,830	0.59	
	1,000,000	EE Finance 4.375% 28/03/2019	1,046,280	0.46	
	105,000	El Group 6.375% 15/02/2022	113,122	0.05	
	500,000	Electricite de France 6.125% 02/06/2034	672,590	0.29	
	200,000	Electricite de France 6% 23/01/2114	281,590	0.12	
	500,000	Electricity North West 8.875% 25/03/2026	754,035	0.33	
USD	1,000,000	Enel 7.75% 10/09/2075	1,140,100	0.50	
	1,550,000	Enel Finance 3.625% 25/05/2027	1,163,751	0.51	
	200,000	Enel Finance 5.75% 14/09/2040	270,498	0.12	
EUR	1,000,000	Energias de Portugal 5.375% 16/09/2075	980,669	0.43	
	150,000	Engie 7% 30/10/2028	218,170	0.10	
	1,250,000	Eversholt Funding 3.529% 07/08/2042	1,226,150	0.54	
	682,000	Experian Finance 4.75% 23/11/2018	710,521	0.31	
	1,500,000	FCA Capital Ireland 1.625% 29/09/2021	1,476,060	0.65	
	300,000	FCE Bank 2.759% 13/11/2019	308,301	0.14	
	100,000	FCE Bank 3.25% 19/11/2020	104,603	0.05	
	1,000,000	FCE Bank 2.727% 03/06/2022	1,030,990	0.45	
	50,000	Firstgroup 6.875% 18/09/2024	63,575	0.03	
EUR	500,000	Fomento Economico Mexicano 1.75% 20/03/2023	457,517	0.20	
	900,000	Friends Life 8.25% 21/04/2022	1,143,261	0.50	
	350,000	G4S 7.75% 13/05/2019	384,374	0.17	
	1,000,000	Gatwick Funding 3.125% 28/09/2041	1,000,720	0.44	
	1,000,000	General Motors Financial 2.25% 06/09/2024	974,720	0.43	
	800,000	Glencore Canada Financial 7.375% 27/05/2020	918,552	0.40	
	1,800,000	Goldman Sachs 4.25% 29/01/2026	2,006,442	0.88	
	1,500,000	Hammerson 3.5% 27/10/2025	1,587,960	0.70	
	1,400,000	Heathrow Funding 6.25% 10/09/2018	1,465,450	0.64	
	1,000,000	Heathrow Funding 6% 20/03/2020	1,109,570	0.49	
	400,000	Heathrow Funding 2.75% 09/08/2051	371,232	0.16	
	300,000	High Speed Rail Finance 4.375% 01/11/2038	372,627	0.16	
	825,000	Hiscox 6.125% 24/11/2045	941,531	0.41	
	400,000	HSBC 6.5% 20/05/2024	506,356	0.22	
	1,500,000	HSBC 5.75% 20/12/2027	1,828,635	0.80	
	2,000,000	HSBC 2.625% 16/08/2028	1,994,560	0.87	
	1,000,000	Iberdrola Finanzas 7.375% 29/01/2024	1,311,910	0.57	
	300,000	Imperial Brands Finance 9% 17/02/2022	389,508	0.17	
	300,000	Imperial Brands Finance 4.875% 07/06/2032	356,277	0.16	
	200,000	ING Bank 6.875% 29/05/2023	206,964	0.09	
	1,350,000	innogy Finance 5.5% 06/07/2022	1,579,972	0.69	
	600,000	Instituto de Credito Oficial 1.875% 15/12/2017	600,966	0.26	
	1,000,000	International Business Machines 2.625% 05/08/2022	1,055,170	0.46	
EUR	600,000	International Game Technology 4.75% 15/02/2023	589,678	0.26	
	2,000,000	Intesa Sanpaolo 5.25% 28/01/2022	2,229,140	0.98	
EUR	250,000	Intrum Justitia 3.125% 15/07/2024	222,768	0.10	
	200,000	IPIC GMTN 6.875% 14/03/2026	272,884	0.12	
	1,000,000	Jaguar Land Rover Automotive 3.875% 01/03/2023	1,045,300	0.46	
	300,000	John Lewis 4.25% 18/12/2034	312,396	0.14	
	1,500,000	JPMorgan 3.5% 18/12/2026	1,655,805	0.73	
	200,000	Kelda Finance 5.75% 17/02/2020	217,338	0.10	
	300,000	Korea Development Bank 2% 20/12/2018	303,435	0.13	
EUR	400,000	La Financiere Atalian 4% 15/05/2024	367,871	0.16	
	750,000	Legal & General 5.375% 27/10/2045	826,087	0.36	
	500,000	Legal & General 5.5% 27/06/2064	539,850	0.24	
	300,000	Lloyds Bank 2.75% 09/12/2018	306,420	0.13	
	2,000,000	Lloyds Bank 7.625% 22/04/2025	2,669,000	1.17	
EUR	1,100,000	Lloyds Banking 1.5% 12/09/2027	959,176	0.42	
	750,000	London Power Networks 5.125% 31/03/2023	879,030	0.39	
	200,000	Marks & Spencer 6.125% 06/12/2021	232,176	0.10	
	1,000,000	McKesson 3.125% 17/02/2029	1,007,770	0.44	
	250,000	Mclaren Finance 5% 01/08/2022	252,102	0.11	
	160,000	Melton Renewable Energy 6.75% 01/02/2020	163,291	0.07	
	2,000,000	Metropolitan Life Global Funding I 1.125% 15/12/2021	1,979,200	0.87	
	473,500	Mizzen Bondco 7% 01/05/2021	495,897	0.22	
	500,000	Motability Operations 2.375% 14/03/2032	490,170	0.21	

Sterling Corporate Bond Fund

Portfolio Statement (continued)

AS AT 30 SEPTEMBER 2017

Nominal in GBP unless stated	Investments	Market Value (£)	% of net asset value 30 Sep 2017	% of net asset value 30 Sep 2016
Corporate Bonds – 81.62% (continued)				
500,000	Muenchener Rueckversicherungs-Gesellschaft 7.625% 21/06/2028	522,120	0.23	
500,000	Muenchener Rueckversicherungs-Gesellschaft 6.625% 26/05/2042	592,555	0.26	
2,000,000	National Australia Bank 0.875% 26/06/2020	1,983,080	0.87	
1,500,000	National Express 2.5% 11/11/2023	1,510,740	0.66	
1,000,000	Nationwide Building Society 3% 06/05/2026	1,057,300	0.46	
900,000	Nationwide Building Society 3.25% 20/01/2028	960,624	0.42	
1,000,000	New York Life Global Funding 1% 15/12/2021	991,830	0.43	
800,000	NGG Finance 5.625% 18/06/2073	908,056	0.40	
750,000	NIE Finance 6.375% 02/06/2026	991,297	0.43	
600,000	Nordea Bank 2.375% 02/06/2022	627,912	0.28	
EUR350,000	NorteGas Energia Distribucion 0.918% 28/09/2022	309,990	0.14	
EUR350,000	NorteGas Energia Distribucion 2.065% 28/09/2027	310,509	0.14	
450,000	Northern Gas Networks Finance 4.875% 30/06/2027	552,978	0.24	
400,000	Northern Powergrid Holdings 7.25% 15/12/2022	504,668	0.22	
1,000,000	Northumbrian Water Finance 1.625% 11/10/2026	957,840	0.42	
1,000,000	Northumbrian Water Finance 2.375% 05/10/2027	995,380	0.44	
EUR394,000	Origin Energy Finance 7.875% 16/06/2071	364,071	0.16	
600,000	PACCAR Financial Europe 1.513% 29/05/2018	602,934	0.26	
1,100,000	Paragon Treasury 3.625% 21/01/2047	1,193,841	0.52	
600,000	Petrobras Global Finance 5.375% 01/10/2029	587,382	0.26	
300,000	Petroleos Mexicanos 8.25% 02/06/2022	373,656	0.16	
EUR950,000	Petroleos Mexicanos 4.875% 21/02/2028	901,248	0.39	
200,000	Pfizer 6.5% 03/06/2038	318,002	0.14	
500,000	Pizzaexpress Financing 6.625% 01/08/2021	475,000	0.21	
275,000	Porterbrook Rail Finance 7.125% 20/10/2026	372,207	0.16	
750,000	Procter & Gamble 1.8% 03/05/2029	725,542	0.32	
80,000	Prudential 6.875% 20/01/2023	100,860	0.04	
400,000	Prudential 5% 20/07/2055	424,560	0.19	
449,000	QBE Insurance 6.115% 24/05/2042	498,673	0.22	
EUR500,000	Quintiles IMS 3.25% 15/03/2025	448,351	0.20	
565,000	RCl Banque 2.125% 06/10/2017	565,034	0.25	
200,000	RELX Investments 2.75% 01/08/2019	204,912	0.09	
400,000	RHP Finance 3.25% 05/02/2048	410,496	0.18	
150,000	Royal Bank of Scotland 6.625% 17/09/2018	157,831	0.07	
225,000	Saga 3.375% 12/05/2024	220,547	0.10	
225,000	Santander 6.5% 21/10/2030	283,781	0.12	
EUR1,600,000	Santander Issuances 3.125% 19/01/2027	1,503,189	0.66	
700,000	Santander UK 3.625% 14/01/2026	746,354	0.33	
450,000	Scentre Trust 2.375% 08/04/2022	465,061	0.20	
1,000,000	Scotland Gas Networks 3.25% 08/03/2027	1,072,020	0.47	
100,000	Scottish Widows 5.5% 16/06/2023	111,437	0.05	
500,000	Segro 5.625% 07/12/2020	566,390	0.25	
600,000	Severn Trent Utilities Finance 1.125% 07/09/2021	595,026	0.26	
450,000	Severn Trent Utilities Finance 6.125% 26/02/2024	561,559	0.25	
1,000,000	Severn Trent Utilities Finance 2.75% 05/12/2031	1,024,930	0.45	
750,000	SGSP Australia Assets 5.125% 11/02/2021	835,777	0.37	
USD2,175,000	Siemens Financieringsmaatschappij 3.4% 16/03/2027	1,664,142	0.73	
650,000	Skandinaviska Enskilda Banken 1.25% 05/08/2022	642,922	0.28	
1,350,000	Skipton Building Society 1.75% 30/06/2022	1,337,027	0.59	
600,000	SNCF Mobilites 5.375% 18/03/2027	769,356	0.34	
200,000	SNCF Reseau 5.25% 07/12/2028	262,246	0.11	
400,000	Societe Generale 5.4% 30/01/2018	405,692	0.18	
500,000	Southern Electric Power Distribution 4.625% 20/02/2037	631,145	0.28	
250,000	Southern Gas Networks 2.5% 03/02/2025	258,265	0.11	
450,000	SP Manweb 4.875% 20/09/2027	546,174	0.24	
1,000,000	SSE 3.625% 16/09/2077	1,019,590	0.45	
500,000	Stagecoach 4% 29/09/2025	538,555	0.24	
200,000	Standard Chartered Bank 7.75% 03/04/2018	206,570	0.09	
250,000	TalkTalk Telecom 5.375% 15/01/2022	260,515	0.11	
EUR200,000	Telecom Italia Finance 7.75% 24/01/2033	267,624	0.12	
200,000	Telefonica Emisiones 5.289% 09/12/2022	232,318	0.10	
EUR600,000	Telefonica Emisiones 1.715% 12/01/2028	527,487	0.23	
150,000	Telefonica Emisiones 5.445% 08/10/2029	186,449	0.08	
250,000	Tesco 6.125% 24/02/2022	284,728	0.12	

Sterling Corporate Bond Fund

Portfolio Statement (continued)

AS AT 30 SEPTEMBER 2017

	Nominal in GBP unless stated	Investments	Market Value (£)	% of net asset value 30 Sep 2017	% of net asset value 30 Sep 2016
Corporate Bonds – 81.62% (continued)					
	271,775	Tesco Property Finance 7.6227% 13/07/2039	352,430	0.15	
	EUR300,000	Teva Pharmaceutical Finance Netherlands 1.625% 15/10/2028	235,281	0.10	
	300,000	Together Housing Finance 4.5% 17/12/2042	372,015	0.16	
	700,000	Total Capital International 2.25% 09/06/2022	729,827	0.32	
	500,000	Transport for London 2.125% 24/04/2025	517,930	0.23	
	300,000	Transport for London 3.875% 23/07/2042	374,886	0.16	
	100,000	United Parcel Service 5.125% 12/02/2050	153,034	0.07	
	EUR600,000	Unitymedia Hessen 4% 15/01/2025	560,709	0.25	
	125,000	Verizon Communications 4.75% 17/02/2034	145,353	0.06	
	1,300,000	Verizon Communications 3.125% 02/11/2035	1,246,128	0.55	
	200,000	Virgin Media Finance 6.375% 15/10/2024	215,478	0.09	
	300,000	Virgin Media Secured Finance 5.125% 15/01/2025	314,898	0.14	
	500,000	Virgin Money 2.25% 21/04/2020	508,860	0.22	
	400,000	Vodafone 5.375% 05/12/2017	403,120	0.18	
	700,000	Vodafone 3% 12/08/2056	589,463	0.26	
	2,500,000	Volkswagen Financial Services 1.75% 12/09/2022	2,469,675	1.08	
	50,000	Washington Mutual Bank 5.5% 10/06/2019*	0	0.00	
	1,500,000	Wells Fargo 1.375% 30/06/2022	1,485,180	0.65	
	100,000	Welltower 4.8% 20/11/2028	115,891	0.05	
	325,000	Wessex Water Services Finance 4% 24/09/2021	358,537	0.16	
	150,000	Wessex Water Services Finance 5.375% 10/03/2028	192,837	0.08	
	1,000,000	Western Power Distribution 3.625% 06/11/2023	1,074,460	0.47	
	500,000	Western Power Distribution East Midlands 5.25% 17/01/2023	585,175	0.26	
	500,000	Western Power Distribution West Midlands 3.875% 17/10/2024	557,265	0.24	
	600,000	Western Power Distribution West Midlands 5.75% 16/04/2032	813,978	0.36	
	1,000,000	Westfield America Management 2.625% 30/03/2029	964,010	0.42	
	700,000	Westpac Banking 2.625% 14/12/2022	737,086	0.32	
	450,000	Westpac Securities 2.5% 13/01/2021	466,992	0.20	
	EUR300,000	Wind Acquisition Finance 7% 23/04/2021	275,257	0.12	
	500,000	Wm Morrison Supermarkets 4.625% 08/12/2023	566,710	0.25	
	300,000	Wm Morrison Supermarkets 4.75% 04/07/2029	346,368	0.15	
	793,718	Wods Transmission 3.446% 24/08/2034	865,041	0.38	
	1,500,000	WPP Finance 2.875% 14/09/2046	1,279,230	0.56	
	EUR500,000	XPO Logistics 5.75% 15/06/2021	457,222	0.20	
	350,000	Yorkshire Building Society 4.75% 12/04/2018	357,707	0.16	
	1,000,000	Yorkshire Building Society 4.125% 20/11/2024	1,039,410	0.46	
	1,500,000	Yorkshire Building Society 3.5% 21/04/2026	1,594,560	0.70	
	500,000	Yorkshire Building Society 3.375% 13/09/2028	485,805	0.21	
	525,000	Yorkshire Housing Finance 4.125% 31/10/2044	614,318	0.27	
	1,000,000	Yorkshire Water Services Bradford Finance 3.75% 22/03/2046	1,060,970	0.46	
			186,247,988	81.62	80.58
Floating Bonds – 4.93%					
	600,000	Banque Federative du Credit Mutuel 0.68213% 07/02/2019	600,816	0.26	
	650,000	Barclays Bank 0.46963% 12/02/2018	650,306	0.28	
	1,000,000	Barclays Bank 0.5115% 22/05/2020	1,002,530	0.44	
	1,000,000	Danske Bank 0.83938% 04/10/2018	1,002,500	0.44	
	1,306,676	Dukinfield 2 1.58256% 20/12/2052	1,323,680	0.58	
	600,000	Eurosail 1.25219% 13/06/2045	580,938	0.25	
	320,730	Farringdon Mortgages No 2 1.79469% 15/07/2047	317,034	0.14	
	1,449,245	Finsbury Square 2017-1 0.99231% 12/03/2059	1,450,980	0.64	
	759,000	Logistics 1.5315% 20/08/2025	759,148	0.33	
	325,000	Logistics 3.6815% 20/08/2025	324,853	0.14	
	500,000	Nationwide Building Society 0.76681% 25/04/2019	502,950	0.22	
	369,078	ResLoC UK 0.54688% 15/12/2043	326,686	0.14	
	1,000,000	Royal Bank of Scotland 0.53963% 15/05/2020	1,003,230	0.44	
	1,444,748	Towd Point Mortgage Funding 2017-Auburn 11 1.1315% 20/05/2045	1,446,208	0.63	
			11,291,859	4.93	5.31

Sterling Corporate Bond Fund

Portfolio Statement (continued)

AS AT 30 SEPTEMBER 2017

	Nominal in GBP unless stated	Investments	Market Value (£)	% of net asset value 30 Sep 2017	% of net asset value 30 Sep 2016
Government Bonds – 3.74%					
	750,000	Export-Import Bank of Korea 2% 07/12/2017	751,582	0.33	
	700,000	Italy Government International Bond 6% 04/08/2028	859,355	0.38	
	175,000	Jersey International Bond 3.75% 09/06/2054	219,196	0.10	
	1,800,000	KFW 1.125% 23/12/2019	1,817,856	0.80	
	750,000	KFW 1.625% 05/06/2020	767,408	0.34	
	1,750,000	KFW 1.375% 01/02/2021	1,778,035	0.78	
	600,000	KFW 6% 07/12/2028	860,730	0.38	
	225,000	Mexico Government International Bond 5.625% 19/03/2114	241,650	0.11	
	1,000,000	Spain Government International Bond 5.25% 06/04/2029	1,178,850	0.52	
			8,474,662	3.74	4.91
Perpetual Call Bonds – 5.72%					
	850,000	Assicurazioni Generali 6.416%	923,848	0.40	
	300,000	Aviva 6.125%	338,610	0.15	
	500,000	AXA 6.772%	548,515	0.24	
	EUR600,000	Banco Bilbao Vizcaya Argentaria 6.75%	557,134	0.24	
	EUR500,000	Banco Santander 6.25%	453,784	0.20	
	50,000	Barclays Bank 8.25%	54,544	0.02	
	50,000	Barclays Bank 14%	59,014	0.03	
	EUR300,000	Electricite de France 5%	288,298	0.13	
	300,000	Electricite de France 6%	318,639	0.14	
	1,000,000	ELM BV for Swiss Reinsurance 6.3024%	1,067,030	0.47	
	EUR1,000,000	Gas Natural Fenosa Finance 3.375%	905,829	0.40	
	50,000	Legal & General 5.875%	52,761	0.02	
	EUR600,000	Lloyds Banking 6.375%	567,890	0.25	
	100,000	National Westminster Bank 7.125%	111,065	0.05	
	450,000	Nationwide Building Society 6.875%	465,881	0.20	
	750,000	Pennon Group 2.875%	754,807	0.33	
	EUR300,000	Repsol International Finance 3.875%	281,400	0.12	
	500,000	RWE 7%	534,660	0.23	
	500,000	Santander Holdings 7.375%	542,205	0.24	
	EUR1,000,000	Solvay Finance 5.118%	992,011	0.43	
	EUR800,000	Telefonica Europe 4.2%	747,584	0.33	
	EUR1,000,000	TOTAL 3.369%	921,619	0.40	
	700,000	Veolia Environnement 4.85%	711,886	0.31	
	750,000	Zurich Finance 6.625%	888,915	0.39	
			13,087,929	5.72	5.98
Supra-national Borrowers – 2.13%					
	400,000	European Bank for Reconstruction & Development 5.625% 07/12/2028	551,824	0.24	
	400,000	European Bank for Reconstruction & Development 5.125% 07/06/2032	552,532	0.24	
	1,000,000	European Investment Bank 5.625% 07/06/2032	1,467,550	0.64	
	1,400,000	European Investment Bank 4.625% 12/10/2054	2,298,632	1.01	
			4,870,538	2.13	2.44
Futures Contracts – 0.04%					
	(60)	Euro Bobl Futures December 2017	21,687	0.01	
	(38)	Euro Bund Futures December 2017	35,000	0.02	
	18	UK Long Gilt Bond Futures December 2017	(30,360)	(0.01)	
	(9)	US 5 Year Note Futures December 2017	3,783	0.00	
	(45)	US 10 Year Note Futures December 2017	40,062	0.02	
			70,172	0.04	(0.07)

Sterling Corporate Bond Fund

Portfolio Statement (continued)

AS AT 30 SEPTEMBER 2017

Nominal in GBP unless stated	Investments	Market Value (£)	% of net asset value 30 Sep 2017	% of net asset value 30 Sep 2016
Forward Contracts – (0.04)%				
	Sold EUR1,750,000 for GBP1,544,394 Settlement 24/10/2017	(914)	0.00	
	Sold EUR665,000 for GBP585,584 Settlement 24/10/2017	(1,633)	0.00	
	Sold EUR17,550,000 for GBP15,451,020 Settlement 24/10/2017	(46,212)	(0.02)	
	Sold USD6,400,000 for GBP4,734,166 Settlement 27/10/2017	(43,943)	(0.02)	
		(92,702)	(0.04)	(0.10)
	Portfolio of investments	223,950,446	98.14	99.05
	Net other assets	4,253,484	1.86	0.95
	Net assets	228,203,930	100.00	100.00

* Defaulted security, fair valued.

Sterling Corporate Bond Fund

Portfolio Statement (continued)

AS AT 30 SEPTEMBER 2017

Rating Block	Market Value (£)
AAA	22,752,059
AA+	2,152,920
AA	4,196,288
AA-	8,512,932
A+	9,303,012
A	17,941,804
A-	24,651,805
BBB+	56,310,495
BBB	34,948,462
BBB-	19,588,258
BB+	9,964,772
BB	5,128,122
BB-	3,890,571
B+	910,076
B	1,389,621
B-	475,000
CCC+	224,542
Unrated	1,632,237
Portfolio of investments*	223,972,976

* Excludes Futures and forward contracts.

Source: Bloomberg composite.

Financial derivative instrument risk exposure

The exposure obtained through financial derivative instruments and identity of counterparties as at 30 September 2017 was as follows:

Futures Contracts

Counterparty	Contracts	Notional value (£)	Value of exposure (£)
Goldman Sachs	(134)	19,903,817	70,172
Total	(134)	19,903,817	70,172

Forward Currency Exchange Contracts

Maturity date	Amount bought	CCY	Amount sold	CCY	Counterparty	Unrealised gain/(loss) (£)
24/10/2017	1,544,394	GBP	1,750,000	Euro	JPMorgan Chase Bank	(914)
24/10/2017	585,584	GBP	665,000	Euro	Royal Bank of Canada	(1,633)
24/10/2017	15,451,020	GBP	17,550,000	Euro	HSBC Bank	(46,212)
27/10/2017	4,734,166	GBP	6,400,000	USD	HSBC Bank	(43,943)
Unrealised loss on Forward Currency Contracts						(92,702)
Total unrealised loss on Forward Currency Contracts						(92,702)

Sterling Corporate Bond Fund

Portfolio Statement (continued)

AS AT 30 SEPTEMBER 2017

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	CCY	Amount sold	CCY	Counterparty	Unrealised gain/(loss) (£)
04/11/2016	7,475,755	GBP	1,500,000	Euro	Royal Bank of Canada	3,536
04/11/2016	7,890,267	GBP	19,930,000	Euro	HSBC	219
Unrealised gain on Forward Contracts						3,755
05/10/2016	406,979	GBP	16,230,000	Euro	HSBC	(111,343)
14/10/2016	4,785,389	GBP	3,245,000	USD	HSBC	(66,689)
05/10/2016	10,680,000	GBP	3,700,000	Euro	Royal Bank of Canada	(33,368)
06/10/2016	4,785,389	Euro	1,314,810	GBP	Royal Bank of Canada	(3,971)
05/10/2016	10,680,000	Euro	17,167,463	GBP	HSBC	(2,046)
Unrealised loss on Forward Currency Contracts						(217,417)
Total unrealised loss on Forward Contracts						(213,662)

Sterling Corporate Bond Fund

Statement of Total Return

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Notes	30 Sep 2017 (£)	30 Sep 2017 (£)	30 Sep 2016 (£)	30 Sep 2016 (£)
Income					
Net capital (losses)/gains	4		(2,347,064)		13,511,684
Revenue	5	6,237,249		5,054,383	
Expenses	6	(596,096)		(425,088)	
Interest payable and similar charges		(2,416)		(1,127)	
Net revenue before taxation		5,638,737		4,628,168	
Taxation	7	1,247		(817)	
Net revenue after taxation			5,639,984		4,627,351
Total return before distributions			3,292,920		18,139,035
Distributions	8		(5,638,780)		(4,627,324)
Change in net assets attributable to shareholders from investment activities			(2,345,860)		13,511,711

Statement of Change in Net Assets Attributable to Shareholders

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	30 Sep 2017 (£)	30 Sep 2017 (£)	30 Sep 2016 (£)	30 Sep 2016 (£)
Opening net assets attributable to shareholders		203,837,687		125,592,525
Amounts receivable on issue of shares	67,065,616		70,741,631	
Amounts payable on cancellation of shares	(42,655,288)		(8,003,965)	
		24,410,328		62,737,666
Dilution adjustment charged		144,987		93,773
Change in net assets attributable to shareholders from investment activities (see above)		(2,345,860)		13,511,711
Retained distribution on accumulation shares		2,156,788		1,902,012
Closing net assets attributable to shareholders		228,203,930		203,837,687

Balance Sheet

AS AT 30 SEPTEMBER 2017

	Notes	30 Sep 2017 (£)	30 Sep 2017 (£)	30 Sep 2016 (£)	30 Sep 2016 (£)
Assets					
Investment assets			224,073,508		202,257,964
Debtors	9	5,469,263		6,953,332	
Cash and bank balances	10	2,270,313		2,201,442	
Total other assets			7,739,576		9,154,774
Total assets			231,813,084		211,412,738
Liabilities					
Investment liabilities			123,062		362,764
Creditors	11	2,475,803		6,062,256	
Bank overdrafts		35		-	
Distribution payable on income shares		1,010,254		1,150,031	
Total other liabilities			3,486,092		7,212,287
Total liabilities			3,609,154		7,575,051
Net assets attributable to shareholders			228,203,930		203,837,687

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 2017

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 and Republic of Ireland.

(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 accruals 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 period is shown in notes 4 and 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 year, net of any accrued interest, which is included in the Balance Sheet as revenue. The value of derivative contracts is calculated with reference to the price/value of the

underlying assets and other relevant factors such as interest rates and volatility.

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, 29 September 2017. 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 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.

3. FINANCIAL RISK MANAGEMENT POLICIES

Strategy in using financial instruments

In pursuing its investment objective, the Fund hold 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 Fund will be accounted for in accordance with the SORP. 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 face 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 the Fund throughout the year.

Sterling Corporate Bond Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

(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 Sterling, 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 ('IM') 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 2017, 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 £11,197,522 (2016: £10,094,760*).

* Prior year comparatives have been updated to be in line with current year disclosure.

(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 2017, if the value of Sterling 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 £224,574 (2016: £196,221).

The Fund's currency exposure as at 30 September 2017 was:

Currency	Net foreign currency assets		Total £
	Monetary Exposure £	Non- Monetary Exposure £	
Euro	300,986	17,336,765	17,637,751
Swiss Franc	(34)	-	(34)
US Dollar	98,601	4,721,073	4,819,674
Total	399,553	22,057,838	22,457,391

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

(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 measured on a daily basis.

The IM 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, GRA 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 2017

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

As at 30 September 2017, if interest rates moved up/down 1.00% then the impact to the net assets attributable to shareholders of the Fund would be £-14,060,384/+14,060,384 (2016: £-13,267,876/+13,267,876).

The interest rate risk profile of the Funds financial assets and liabilities at 30 September 2017, was:

Currency	Floating rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
2017				
Euro	34,337	17,336,766	315,407	17,686,510
Pound Sterling	13,463,206	190,623,279	5,179,496	209,265,981
US Dollar	64,629	4,721,072	74,892	4,860,593
Total	13,562,172	212,681,117	5,569,795	231,813,084
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

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
2017			
Euro	-	48,759	48,759
Pound Sterling	-	3,519,442	3,519,442
Swiss franc	34	-	34
US Dollar	1	40,918	40,919
Total	35	3,609,119	3,609,154
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

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 IM on a regular basis and fair valued as appropriate.

All of the Fund's financial assets as at 30 September 2017 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 its value to ensure settlement.

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

The IM's 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 the 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 the Fund enter into expose it 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 the Fund's 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 2017

The carrying amount of the 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 its 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 IM will be able to successfully hedge the Fund.

4. NET CAPITAL (LOSSES)/GAINS

	30 Sep 17 (£)	30 Sep 16 (£)
(Losses)/gains on non-derivative securities	(2,463,341)	16,209,040
Losses on derivative contracts	(267,694)	(2,716,314)
Currency gains	389,016	26,738
Transaction charges	(9,024)	(11,050)
ACD's reimbursement to capital	3,979	3,270
Net capital (losses)/gains	(2,347,064)	13,511,684

5. REVENUE

	30 Sep 17 (£)	30 Sep 16 (£)
Bank interest	24,439	2,157
Interest on debt securities	6,212,810	5,052,226
Total revenue	6,237,249	5,054,383

6. EXPENSES

	30 Sep 17 (£)	30 Sep 16 (£)
Payable to the ACD, associates of the ACD and agents of either of them:		
Management charge	411,110	297,024
Administration charge	522,608	380,255
	933,718	677,279
Other expenses:		
Financial Conduct Authority fee	480	480
Audit fee*	9,710	9,391
Depository's fees	38,896	25,226
Safe custody fees	22,708	15,702
Professional fees	29,695	28,512
Printing & production costs	9,544	5,728
	111,033	85,039
Expenses	1,044,751	762,318
Less ACD reimbursement to revenue	(448,655)	(337,230)
Total expenses	596,096	425,088

* The audit fee for the year, excluding VAT, was £7,850 (2016: £7,850).

7. TAXATION

(a) Analysis of charge in the year:

	30 Sep 17 (£)	30 Sep 16 (£)
Corporation tax	-	817
Prior year adjustments	(1,247)	-
Total taxation	(1,247)	817

(b) Factors affecting 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 17 (£)	30 Sep 16 (£)
Net revenue before taxation	5,638,737	4,628,168
Corporation tax at 20% (2016: 20%)	1,127,747	925,633
Effects of:		
Tax deductible interest distributions	(1,127,747)	(925,470)
Rebated capital expenses deductible for tax purposes	-	654
Prior year adjustments	(1,247)	-
Total tax for the year	(1,247)	817

Sterling Corporate Bond Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

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 17 (£)	30 Sep 16 (£)
Interim	4,143,582	2,935,930
Final	1,326,623	1,060,375
Add: Amounts deducted on cancellation of shares	255,515	26,671
Less: Amounts received on issue of shares	(325,722)	(321,122)
Income tax withheld at source	238,782	925,470
Net distribution for the year	5,638,780	4,627,324

Distributions are represented by:

	30 Sep 17 (£)	30 Sep 16 (£)
Net revenue after taxation	5,639,984	4,627,351
Prior year adjustments	(1,247)	–
Movement on revenue account	43	(27)
Net distribution for the year	5,638,780	4,627,324

Details of the distribution per share are set out in the Distribution Tables on pages 66 to 70.

9. DEBTORS

	30 Sep 17 (£)	30 Sep 16 (£)
Accrued revenue	3,241,977	3,222,402
Amounts receivable for issue of shares	2,049,146	1,176,707
Sales awaiting settlement	–	2,409,186
Reimbursement of expenses receivable from ACD	176,893	145,037
Corporation tax recoverable	1,247	–
5,469,263	6,953,332	

10. CASH AND BANK BALANCES

	30 Sep 17 (£)	30 Sep 16 (£)
Cash and bank balances	2,002,482	1,715,142
Amount held at futures clearing houses and brokers	267,831	486,300
2,270,313	2,201,442	

11. CREDITORS

	30 Sep 17 (£)	30 Sep 16 (£)
Purchases awaiting settlement	2,093,620	5,650,463
Accrued expenses	226,254	183,173
Amounts payable to ACD	143,338	116,344
Amount payable for cancellation of shares	12,591	111,459
Corporation tax payable	–	817
2,475,803	6,062,256	

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 notes 4 and 6.

There are no material shareholders (2016: no material shareholders).

13. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Fund had no contingent liabilities or capital commitments at the year end date (2016: £nil).

14. SHAREHOLDERS' FUNDS

The annual management charges for the Fund are as follows:

Class A 0.75%

Class F 0.15%

Class I 0.25%

The net asset value, the net asset value per share and the number of shares are set out in the Comparative Tables on pages 47 to 48.

The distribution per share class is given in the Distribution Tables on pages 66 to 70.

Sterling Corporate Bond Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

15. PORTFOLIO TRANSACTION COSTS

Analysis of total trade costs.

For the year ending	Purchases		Sales	
	30 Sep 17 (£)	30 Sep 16 (£)	30 Sep 17 (£)	30 Sep 16 (£)
Bonds	196,958,464	169,397,151	171,356,924	100,465,663
Trades in the year before transaction costs	196,958,464	169,397,151	171,356,924	100,465,663
Commissions				
Futures	1,936	1,077	(1,884)	(1,064)
Total Commissions	1,936	1,077	(1,884)	(1,064)
Total costs	1,936	1,077	(1,884)	(1,064)
Total net trades in the year after transaction costs	196,960,400	169,398,228	171,355,040	100,464,599

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 dealing spread was 0.58% (2016: 0.74%).

16. SHARE RECONCILIATION

Reconciliation of the share movements in the year

	30 Sep 2017 (£)			
	A Accumulation	A Income	I Accumulation	I Income
Opening shares in issue	166,962	47,791	1,705,799	1,757,170
Creations during the year	38,675	14,735	157,573	2,108,337
Cancellations during the year	(65,843)	(18,706)	(787,818)	(760,846)
Closing shares in issue	139,794	43,820	1,075,554	3,104,661
			F Accumulation	F Income
Opening shares in issue			41,392,691	69,383,038
Creations during the year			12,498,955	12,704,313
Cancellations during the year			(4,414,142)	(3,571,534)
Closing shares in issue			49,477,504	78,515,817

17. FAIR VALUE HIERARCHY

Valuation technique	Assets	Liabilities	Assets	Liabilities
	30 Sep 2017 (£)	30 Sep 2017 (£)	30 Sep 2016 (£)	30 Sep 2016 (£)
Quoted prices for identical instruments in active markets [^]	1,991,489	(30,360)	2,387,959	(145,346)
Valuation techniques using observable market data ^{^^}	222,082,019	(92,702)	199,870,004	(217,417)
Valuation techniques using non-observable data ^{^^^}	-	-	-	-
	224,073,508	(123,062)	202,257,963	(362,763)

[^] 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 spreads. This may include publicly 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.

18. POST BALANCE SHEET EVENTS

There are no significant post balance sheet events.

Sterling Corporate Bond Fund

Distribution Tables

Share classes A and I pay distributions gross of tax from 1 October 2016. Share class F pays distributions gross of tax from February 2017.

FOR THE YEAR ENDED 30 SEPTEMBER 2017

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 October 2016

Group 2: shares purchased between 1 October 2016 and 31 March 2017

	Gross revenue (p)	Equalisation (p)	Distribution paid/accumulated 31 May 2017 (p)	Distribution paid/accumulated 31 May 2016 (p)
Share Class A – Accumulation				
Group 1	24.4860	–	24.4860	21.9077
Group 2	14.5797	9.9063	24.4860	21.9077
Share Class A – Income				
Group 1	15.9291	–	15.9291	14.6160
Group 2	7.6065	8.3226	15.9291	14.6160
Share Class I – Accumulation				
Group 1	34.2575	–	34.2575	29.1260
Group 2	24.9000	9.3575	34.2575	29.1260
Share Class I – Income				
Group 1	20.7727	–	20.7727	18.2951
Group 2	7.8383	12.9344	20.7727	18.2951

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 October 2016

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

	Gross revenue (p)	Income tax (p)	Net revenue (p)	Equalisation (p)	Distribution paid/accumulated 31 Dec 2016 (p)	Distribution paid/accumulated 31 Dec 2015 (p)
Share Class F – Accumulation						
Group 1	0.2856	0.0571	0.2285	–	0.2285	0.2263
Group 2	0.1458	0.0292	0.1166	0.1119	0.2285	0.2263
Share Class F – Income						
Group 1	0.2678	0.0536	0.2142	–	0.2142	0.2176
Group 2	0.1424	0.0285	0.1139	0.1003	0.2142	0.2176

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 November 2016

Group 2: shares purchased between 1 November 2016 and 30 November 2016

	Gross revenue (p)	Income tax (p)	Net revenue (p)	Equalisation (p)	Distribution paid/accumulated 31 Jan 2017 (p)	Distribution paid/accumulated 31 Jan 2016 (p)
Share Class F – Accumulation						
Group 1	0.2615	0.0523	0.2092	–	0.2092	0.2371
Group 2	0.1183	0.0237	0.0946	0.1146	0.2092	0.2371
Share Class F – Income						
Group 1	0.2443	0.0489	0.1954	–	0.1954	0.2265
Group 2	0.1201	0.0240	0.0961	0.0993	0.1954	0.2265

Sterling Corporate Bond Fund

Distribution Tables (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 December 2016

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

	Gross revenue (p)	Income tax (p)	Net revenue (p)	Equalisation (p)	Distribution paid/accumulated 28 Feb 2017 (p)	Distribution paid/accumulated 29 Feb 2016 (p)
Share Class F – Accumulation						
Group 1	0.2690	0.0538	0.2152	–	0.2152	0.2422
Group 2	0.1231	0.0246	0.0985	0.1167	0.2152	0.2422
Share Class F – Income						
Group 1	0.2506	0.0501	0.2005	–	0.2005	0.2316
Group 2	0.1111	0.0222	0.0889	0.1116	0.2005	0.2316

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 January 2017

Group 2: shares purchased between 1 January 2017 and 31 January 2017

	Gross revenue (p)	Income tax (p)	Net revenue (p)	Equalisation (p)	Distribution paid/accumulated 31 Mar 2017 (p)	Distribution paid/accumulated 31 Mar 2016 (p)
Share Class F – Accumulation						
Group 1	0.2968	0.0594	0.2374	–	0.2374	0.2321
Group 2	0.1459	0.0292	0.1167	0.1207	0.2374	0.2321
Share Class F – Income						
Group 1	0.2759	0.0552	0.2207	–	0.2207	0.2212
Group 2	0.1285	0.0257	0.1028	0.1179	0.2207	0.2212

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 February 2017

Group 2: shares purchased between 1 February 2017 and 28 February 2017

	Gross revenue (p)	Equalisation (p)	Distribution paid/accumulated 30 Apr 2017 (p)	Distribution paid/accumulated 30 Apr 2016 (p)
Share Class F – Accumulation				
Group 1	0.2529	–	0.2529	0.2442
Group 2	0.1217	0.1312	0.2529	0.2442
Share Class F – Income				
Group 1	0.2352	–	0.2352	0.2323
Group 2	0.0827	0.1525	0.2352	0.2323

Sterling Corporate Bond Fund

Distribution Tables (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 March 2017

Group 2: shares purchased between 1 March 2017 and 31 March 2017

	Gross revenue (p)	Equalisation (p)	Distribution paid/accumulated 31 May 2017 (p)	Distribution paid/accumulated 31 May 2016 (p)
Share Class F – Accumulation				
Group 1	0.3083	–	0.3083	0.2393
Group 2	0.1425	0.1658	0.3083	0.2393
Share Class F – Income				
Group 1	0.2855	–	0.2855	0.2274
Group 2	0.0916	0.1939	0.2855	0.2274

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 April 2017

Group 2: shares purchased between 1 April 2017 and 30 April 2017

	Gross revenue (p)	Equalisation (p)	Distribution paid/accumulated 30 June 2017 (p)	Distribution paid/accumulated 30 June 2016 (p)
Share Class F – Accumulation				
Group 1	0.2512	–	0.2512	0.2235
Group 2	0.1283	0.1229	0.2512	0.2235
Share Class F – Income				
Group 1	0.2322	–	0.2322	0.2115
Group 2	0.1079	0.1243	0.2322	0.2115

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 May 2017

Group 2: shares purchased between 1 May 2017 and 31 May 2017

	Gross revenue (p)	Equalisation (p)	Distribution paid/accumulated 31 July 2017 (p)	Distribution paid/accumulated 31 July 2016 (p)
Share Class F – Accumulation				
Group 1	0.2979	–	0.2979	0.2437
Group 2	0.1320	0.1659	0.2979	0.2437
Share Class F – Income				
Group 1	0.2746	–	0.2746	0.2303
Group 2	0.1491	0.1255	0.2746	0.2303

Sterling Corporate Bond Fund

Distribution Tables (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 June 2017

Group 2: shares purchased between 1 June 2017 and 30 June 2017

	Gross revenue (p)	Equalisation (p)	Distribution paid/accumulated 31 Aug 2017 (p)	Distribution paid/accumulated 31 Aug 2016 (p)
Share Class F – Accumulation				
Group 1	0.2707	–	0.2707	0.2383
Group 2	0.1237	0.1470	0.2707	0.2383
Share Class F – Income				
Group 1	0.2492	–	0.2492	0.2246
Group 2	0.1075	0.1417	0.2492	0.2246

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 July 2017

Group 2: shares purchased between 1 July 2017 and 31 July 2017

	Gross revenue (p)	Equalisation (p)	Distribution paid/accumulated 30 Sep 2017 (p)	Distribution paid/accumulated 30 Sep 2016 (p)
Share Class F – Accumulation				
Group 1	0.2833	–	0.2833	0.2208
Group 2	0.1378	0.1455	0.2833	0.2208
Share Class F – Income				
Group 1	0.2604	–	0.2604	0.2076
Group 2	0.1200	0.1404	0.2604	0.2076

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 August 2017

Group 2: shares purchased between 1 August 2017 and 31 August 2017

	Gross revenue (p)	Equalisation (p)	Distribution paid/accumulated 31 Oct 2017 (p)	Distribution paid/accumulated 31 Oct 2016 (p)
Share Class F – Accumulation				
Group 1	0.2836	–	0.2836	0.2387
Group 2	0.1389	0.1447	0.2836	0.2387
Share Class F – Income				
Group 1	0.2600	–	0.2600	0.2241
Group 2	0.1250	0.1350	0.2600	0.2241

Sterling Corporate Bond Fund

Distribution Tables (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

FINAL DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 April 2017

Group 2: shares purchased between 1 April 2017 and 30 September 2017

	Gross revenue (p)	Equalisation (p)	Distribution paid/accumulated 30 Nov 2017 (p)	Distribution paid/accumulated 30 Nov 2016 (p)
Share Class A – Accumulation				
Group 1	23.3298	–	23.3298	20.6167
Group 2	13.1953	10.1345	23.3298	20.6167
Share Class A – Income				
Group 1	15.1069	–	15.1069	13.6342
Group 2	8.0323	7.0746	15.1069	13.6342
Share Class I – Accumulation				
Group 1	33.2191	–	33.2191	28.1682
Group 2	13.6348	19.5843	33.2191	28.1682
Share Class I – Income				
Group 1	20.0891	–	20.0891	17.4648
Group 2	9.1017	10.9874	20.0891	17.4648

FINAL DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 September 2017

Group 2: shares purchased between 1 September 2017 and 30 September 2017

	Gross revenue (p)	Equalisation (p)	Distribution paid/accumulated 30 Nov 2017 (p)	Distribution paid/accumulated 30 Nov 2016 (p)
Share Class F – Accumulation				
Group 1	0.2527	–	0.2527	0.2165
Group 2	0.1142	0.1385	0.2527	0.2165
Share Class F – Income				
Group 1	0.2310	–	0.2310	0.2053
Group 2	0.0941	0.1369	0.2310	0.2053

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 of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

Further information

REPORTS & ACCOUNTS

In accordance with Circular 357-16 issued by the Investment Association (“IA”), the requirement for managers to issue and distribute Short Reports has ceased to apply. Accordingly we have discontinued distribution of Short Reports.

The annual and semi-annual 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.

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 and Class F 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 and F Income and Accumulation shares
US Advantage Fund	I and F 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 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. 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 F share classes are allocated to shareholders at the end of each accounting period. The annual income allocation date is 30 September, 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 the F share class for Sterling Corporate Bond Fund 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.

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 or F 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

Further information (continued)

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.

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.

Issued by Morgan Stanley Investment Management (ACD) Limited, 25 Cabot Square, Canary Wharf, London E14 4QA, authorised and regulated by the Financial Conduct Authority.

www.morganstanley.com/im

Morgan Stanley