

Morgan Stanley
Funds (UK)

**Semi-Annual
Report (Unaudited)**

31 March 2018

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

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

Directory

REGISTERED OFFICE

25 Cabot Square
Canary Wharf
London
E14 4QA
United Kingdom

AUTHORISED CORPORATE DIRECTOR

Morgan Stanley Investment Management (ACD) Limited

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

DIRECTORS

Diane Hosie
Andrew Mack
Ruairi O'Healai
Andrew Onslow
Eimear Cowhey (appointed 14 March 2018)

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

10 Nightingale Way
Edinburgh
EH3 9EG
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 six month period ended 31 March 2018

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 period are set out in the individual Fund reviews contained in this semi-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 semi-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 period.

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 semi-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.

Diane Hosie
Director on behalf of
Morgan Stanley Investment Management (ACD) Limited
as Authorised Corporate Director of Morgan Stanley Funds (UK)
22 May 2018

Global Brands Fund

As at 31 March 2018 (unaudited)

Fund Review

INVESTMENT OBJECTIVE

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

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 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.
- Investment in China A – Shares via Shanghai – Hong Kong Stock Connect program may also entail additional risks, such as risks linked to the ownership of shares.

PERFORMANCE

	Since inception 03/02/03 % change cumulative	1 year % change cumulative	6 months % change cumulative
MSCI World (Net) Index	321.62	1.25	(0.39)
Global Brands Fund A Acc	447.48	(0.94)	0.34
Global Brands Fund I Acc	512.95	(0.20)	0.72

Source Index: Morgan Stanley Investment Management Ltd via RIMES as at 31 March 2018.
Source Fund: Morgan Stanley Investment Management Ltd.

Past performance is no guarantee of future returns. In particular, any returns illustrated here will not necessarily continue at the levels shown.

NET ASSET VALUES

Date	Net asset value of class (£)	Shares in issue	Net asset value per share (£)	Percentage change (%)
Share Class A – Accumulation*				
31.03.18	3,261,122	47,658	68.43	0.35
30.09.17	4,383,862	64,290	68.19	
Share Class A – Income*				
31.03.18	130,580	6,350	20.56	0.34
30.09.17	139,449	6,806	20.49	
Share Class I – Accumulation*				
31.03.18	833,294,452	10,876,925	76.61	0.72
30.09.17	812,389,975	10,680,895	76.06	
Share Class I – Income*				
31.03.18	126,841,193	5,800,380	21.87	0.46
30.09.17	152,864,805	7,022,836	21.77	

* Valued at bid basis.

OPERATING CHARGES

Date	
Share Class A – Accumulation	
31.03.18	1.65%
30.09.17	1.65%
Share Class A – Income	
31.03.18	1.65%
30.09.17	1.65%
Share Class I – Accumulation	
31.03.18	0.90%
30.09.17	0.90%
Share Class I – Income	
31.03.18	0.90%
30.09.17	0.90%

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

Global Brands Fund

Fund Review (continued)

PERFORMANCE REVIEW

For the 6-month period ending 31 March 2018, the Fund's I Accumulation class shares outperformed the benchmark, the MSCI World (Net) Index, by 1.11%, returning 0.72% (net of fees in sterling) versus -0.39% for the Index.

Over the period, stock selection had the greatest positive impact on performance, with the contribution from health care and consumer discretionary outweighing the detractor from consumer staples and industrials. Sector allocation was also positive, our beneficial overweight in information technology and zero weights in telecommunications, energy and utilities offsetting the negative impact of our overweight in consumer staples.

Top absolute contributors for the period were Twenty-First Century Fox (+130 basis points [bps]), Microsoft (+126 bps) and Zoetis (+90 bps). Top detractors were British American Tobacco (-88 bps), Reckitt Benckiser (-71 bps) and Philip Morris International (-55 bps).

MARKET REVIEW

The MSCI World (Net) Index fell by -0.39% in sterling terms for the period. Strong gains in Singapore (+8.2%) and Japan (+4.6%) were not enough to offset the lows of Sweden (-10.2%), New Zealand (-7.9%), Canada (-7.6%) and Spain (-7.5%). The eurozone in general lagged, with the exception of Austria, up +3.4%. The U.S. was just ahead of the Index at +1.0%, while the U.K. dragged its feet, down -2.8%.

Information technology and consumer discretionary were the only positives during the period (+7.1% and +4.8%, respectively). All other sectors failed to beat the Index, with telecommunication services (-8.4%), utilities (-6.4%), health care (-4.7%) and consumer staples (-4.3%) the worst offenders.

PORTFOLIO ACTIVITY

During the 6-month period, we initiated positions in FactSet, Fidelity National Information Services (FIS), Heineken and Abbott Laboratories. FactSet is a financial software data and analytics vendor that continues to gain market share. FIS is a leading global provider of software solutions and innovations to the financial services industry. Heineken is a global beer player and has become more balanced by both brand and geography. Abbott Laboratories is a global health care company with a diverse

range of high-quality businesses including medical devices, diagnostics, branded nutritional products, and branded generic pharmaceuticals sold exclusively in emerging markets.

During the period we completed our exit from Nestlé and sold our position in Time Warner. We reduced our position in Disney as the proposed Disney-21st Century Fox merger made our position size in the combined entity too high. Within the 6 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

With our concerns around the impact of potential political and macro unrest in 2017 having failed to materialise, we started 2018 more concerned about valuations. The turbulence in the first week of February reduced the risk of a melt-up or melt-down, while paradoxically increasing volatility, a healthy combination. Despite a welcome return to some sort of normality after the volatility-free markets which have risen in a straight line for the last few years, valuations are still high. The MSCI World Index is above a 15x multiple of the next 12 months' earnings, which are themselves assumed to have risen by double-digits. The business cycle is getting pretty advanced, in the U.S. at least, and there are significant risks as monetary policy gets more normal and trade policy threatens to get much less normal. Nine years into a bull market is clearly a good time to think about downside protection.

We believe that the portfolio is well placed on both risks, and that it should continue to offer the combination of compounding plus relative downside protection that it has shown for the last two decades.

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

Global Brands Fund

Portfolio Statement

AS AT 31 MARCH 2018 (UNAUDITED)

	Holdings	Investments	Market Value (£)	% of Net Asset Value 31 Mar 2018	% of Net Asset Value 30 Sep 2017
France – 8.28%					
	258,198	L'Oreal	41,351,864	4.29	
	326,146	Pernod Ricard	38,457,460	3.99	
			79,809,324	8.28	8.43
Germany – 4.21%					
	546,073	SAP	40,591,379	4.21	
			40,591,379	4.21	4.85
Ireland – 6.30%					
	579,251	Accenture	60,724,267	6.30	
			60,724,267	6.30	7.37
Italy – 1.64%					
	2,932,476	Davide Campari-Milano	15,817,847	1.64	
			15,817,847	1.64	1.66
Netherlands – 3.81%					
	335,623	Heineken	25,765,624	2.67	
	741,940	RELX (Netherlands Listing)	10,975,544	1.14	
			36,741,168	3.81	1.21
Switzerland – 0.00%					
			–	–	1.11
United Kingdom – 28.26%					
	1,512,288	British American Tobacco	62,238,213	6.46	
	348,119	British American Tobacco ADR	14,190,655	1.47	
	1,305,219	Experian	20,146,055	2.09	
	1,299,723	Reckitt Benckiser	78,750,217	8.17	
	1,626,970	RELX (London Listing)	24,030,347	2.50	
	1,849,382	Unilever	72,911,885	7.57	
			272,267,372	28.26	28.85
United States – 45.85%					
	337,683	Abbott Laboratories	14,223,926	1.48	
	187,781	Altria	8,338,407	0.87	
	277,167	Automatic Data Processing	22,029,085	2.29	
	1,063,137	Coca-Cola	32,752,633	3.40	
	372,703	Danaher	25,577,538	2.65	
	92,370	FactSet Research Systems	13,028,961	1.35	
	284,379	Fidelity National Information Services	19,277,473	2.00	
	76,218	International Flavors & Fragrances	7,319,078	0.76	
	105,023	Intuit	12,765,736	1.33	
	982,979	Microsoft	62,481,743	6.48	
	107,594	Moody's	12,160,044	1.26	
	723,005	NIKE	33,647,526	3.49	
	601,448	Philip Morris International	42,665,765	4.43	
	770,465	Twenty-First Century Fox 'A' Shares	19,659,564	2.04	
	919,290	Twenty-First Century Fox 'B' Shares	23,202,088	2.41	
	533,736	Visa	44,406,217	4.61	
	153,090	Walt Disney	10,724,960	1.11	
	650,180	Zoetis	37,443,800	3.89	
			441,704,544	45.85	43.97
		Portfolio of investments	947,655,901	98.35	97.45
		Net other assets	15,871,446	1.65	2.55
		Net assets	963,527,347	100.00	100.00

All holdings are ordinary shares unless otherwise stated.

Global Brands Fund

Statement of Total Return

FOR THE SIX MONTH PERIOD ENDED 31 MARCH 2018 (UNAUDITED)

	31 Mar 2018 (£)	31 Mar 2018 (£)	31 Mar 2017 (£)	31 Mar 2017 (£)
Income				
Net capital gains		4,672,356		103,863,725
Revenue	8,275,417		8,049,587	
Expenses	(4,504,028)		(3,994,285)	
Interest payable and similar charges	(2,082)		(37)	
Net revenue before taxation	3,769,307		4,055,265	
Taxation	(1,566,323)		(655,117)	
Net revenue after taxation		2,202,984		3,400,148
Total return before distributions		6,875,340		107,263,873
Distributions		(2,208,355)		(3,400,216)
Change in net assets attributable to shareholders from investment activities		4,666,985		103,863,657

Statement of Change in Net Assets Attributable to Shareholders

FOR THE SIX MONTH PERIOD ENDED 31 MARCH 2018 (UNAUDITED)

	31 Mar 2018 (£)	31 Mar 2018 (£)	31 Mar 2017 (£)	31 Mar 2017 (£)
Opening net assets attributable to shareholders		969,778,091		859,622,810
Amounts receivable on issue of shares	55,370,919		25,201,488	
Amounts payable on cancellation of shares	(68,207,838)		(76,677,161)	
		(12,836,919)		(51,475,673)
Dilution adjustment charged		–		12,611
Change in net assets attributable to shareholders from investment activities (see above)		4,666,985		103,863,657
Retained distribution on accumulation shares		1,919,190		2,743,406
Closing net assets attributable to shareholders		963,527,347		914,766,811

Comparatives are for the six months to 31 March 2017.

Balance Sheet

AS AT 31 MARCH 2018 (UNAUDITED)

	31 Mar 2018 (£)	31 Mar 2018 (£)	30 Sep 2017 (£)	30 Sep 2017 (£)
Assets				
Investment assets		947,655,901		945,091,256
Debtors	2,770,211		8,528,880	
Cash and bank balances	21,222,302		20,178,393	
Total other assets		23,992,513		28,707,273
Total assets		971,648,414		973,798,529
Liabilities				
Creditors	7,830,219		2,869,706	
Distribution payable on income shares	290,848		1,150,732	
Total liabilities		8,121,067		4,020,438
Net assets attributable to shareholders		963,527,347		969,778,091

The interim financial statements have been prepared in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Association in May 2014.

The accounting policies applied are consistent with those of the annual financial statement for the year ended 30 September 2017 and are described in those annual financial statements.

Global Brands Fund

Distribution Table

FOR THE SIX MONTH PERIOD ENDED 31 MARCH 2018 (UNAUDITED)

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 October 2017

Group 2: shares purchased between 1 October 2017 and 31 March 2018

	Revenue (p)	Equalisation (p)	Distribution payable 31 May 2018 (p)	Distribution paid/accumulated 31 May 2017 (p)
Share Class A – Accumulation				
Group 1	0.0000	–	0.0000	0.9757
Group 2	0.0000	0.0000	0.0000	0.9757
Share Class A – Income				
Group 1	0.0000	–	0.0000	0.3166
Group 2	0.0000	0.0000	0.0000	0.3166
Share Class I – Accumulation				
Group 1	17.6446	–	17.6446	27.9334
Group 2	9.4153	8.2293	17.6446	27.9334
Share Class I – Income				
Group 1	5.0143	–	5.0143	8.0777
Group 2	2.1215	2.8928	5.0143	8.0777

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

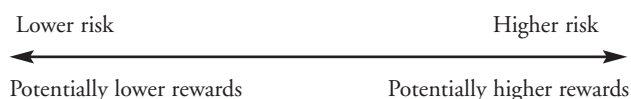
As at 31 March 2018 (unaudited)

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



The risk and reward category shown is based on simulated 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 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.
- Investment in China A – Shares via Shanghai – Hong Kong Stock Connect program may also entail additional risks, such as risks linked to the ownership of shares.
- The derivative strategy aims to increase the income paid to investors, but there is a potential for the Fund to suffer losses.

PERFORMANCE

	Since inception 31/08/16 % change cumulative	1 year % change cumulative	6 months % change cumulative
MSCI World (Net) Index	15.52	1.25	(0.39)
Global Brands Equity Income Fund I Acc	8.19	(3.87)	(2.51)

Source Index: Morgan Stanley Investment Management Ltd via RIMES as at 31 March 2018.
Source Fund: Morgan Stanley Investment Management Ltd.

Past performance is no guarantee of future returns. In particular, any returns illustrated here will not necessarily continue at the levels shown.

NET ASSET VALUES

Date	Net asset value of class (£)	Shares in issue	Net asset value per share (£)	Percentage change (%)
Share Class F – Income*				
31.03.18	676,730	72,724	9.31	(4.12)
30.09.17	492,006	50,695	9.71	
Share Class I – Accumulation*				
31.03.18	1,934,999	179,492	10.78	(2.53)
30.09.17	1,946,185	175,926	11.06	
Share Class I – Income*				
31.03.18	1,778,750	175,488	10.14	(4.25)
30.09.17	1,857,722	175,476	10.59	

* Valued at bid basis.

OPERATING CHARGES

Date	
Share Class F – Income	
31.03.18	0.65%
30.09.17	0.65%
Share Class I – Accumulation	
31.03.18	1.00%
30.09.17	1.00%
Share Class I – Income	
31.03.18	1.00%
30.09.17	1.00%

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

Global Brands Equity Income Fund

PERFORMANCE REVIEW

For the 6-month period ending 31 March 2018, the Fund's I Accumulation class shares underperformed the benchmark, the MSCI World (Net) Index, by 2.12%, returning -2.51% (net of fees in sterling) versus -0.39% for the Index.

Over the period, sector allocation was the main drag, with the negative impact of the significant overweight in consumer staples offsetting the positive contribution from information technology and our zero weights in telecommunications, energy and utilities. Stock selection was positive, consumer discretionary (+1.5%) and health care (+1.3%) balancing out the detraction from consumer staples (-0.7%) and industrials (-0.3%). The overwrite (sale of index call options) also detracted from performance by 275 basis points (bps).

The Fund continues to offer an attractive long-term proposition to income investors: the combination of robust income, capital appreciation and relative downside protection. The Fund produced a distributed yield of 3.86% over the previous four quarters (as of 31 December 2017).

Top absolute contributors for the period were Twenty-First Century Fox (+129 bps), Microsoft (+124 bps) and Zoetis (+91 bps). Top detractors were British American Tobacco (-89 bps), Reckitt Benckiser (-74 bps) and Philip Morris International (-55 bps).

MARKET REVIEW

The MSCI World (Net) Index fell by -0.39% in sterling terms for the period. Strong gains in Singapore (+8.2%) and Japan (+4.6%) were not enough to offset the lows of Sweden (-10.2%), New Zealand (-7.9%), Canada (-7.6%) and Spain (-7.5%). The eurozone in general lagged, with the exception of Austria, up +3.4%. The U.S. was just ahead of the Index at +1.0%, while the UK dragged its feet, down -2.8%.

Information technology and consumer discretionary were the only positives during the period (+7.1% and +4.8%, respectively). All other sectors failed to beat the Index, with telecommunication services (-8.4%), utilities (-6.4%), health care (-4.7%) and consumer staples (-4.3%) the worst offenders.

PORTFOLIO ACTIVITY

During the 6-month period, we initiated positions in FactSet, Fidelity National Information Services (FIS), Heineken and Abbott Laboratories. FactSet is a financial software data and analytics vendor that continues to gain market share. FIS is a leading global provider of software solutions and innovations to the financial services industry. Heineken is a global beer player and has become more balanced by both brand and geography. Abbott Laboratories is a global health care company with a diverse range of high-quality businesses including medical devices, diagnostics, branded nutritional products, and branded generic pharmaceuticals sold exclusively in emerging markets.

During the period we completed our exit from Nestlé and sold our position in Time Warner. We reduced our position in Disney as the proposed Disney-21st Century Fox merger made our position size in the combined entity too high. Within the 6 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

With our concerns around the impact of potential political and macro unrest in 2017 having failed to materialise, we started 2018 more concerned about valuations. The turbulence in the first week of February reduced the risk of a melt-up or melt-down, while paradoxically increasing volatility, a healthy combination. Despite a welcome return to some sort of normality after the volatility-free markets which have risen in a straight line for the last few years, valuations are still high. The MSCI World Index is above a 15x multiple of the next 12 months' earnings, which are themselves assumed to have risen by double-digits. The business cycle is getting pretty advanced, in the U.S. at least, and there are significant risks as monetary policy gets more normal and trade policy threatens to get much less normal. Nine years into a bull market is clearly a good time to think about downside protection.

We believe that the portfolio is well placed on both risks, and that it should continue to offer the combination of compounding plus relative downside protection that it has shown for the last two decades.

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

Global Brands Equity Income Fund

Portfolio Statement

AS AT 31 MARCH 2018 (UNAUDITED)

	Holdings	Investments	Market Value (£)	% of Net Asset Value 31 Mar 2018	% of Net Asset Value 30 Sep 2017
France – 8.25%	1,154	L'Oreal	184,820	4.21	
	1,504	Pernod Ricard	177,344	4.04	
			362,164	8.25	8.56
Germany – 4.23%	2,500	SAP	185,833	4.23	
			185,833	4.23	4.92
Ireland – 6.36%	2,665	Accenture	279,378	6.36	
			279,378	6.36	7.47
Italy – 1.67%	13,600	Davide Campari-Milano	73,359	1.67	
			73,359	1.67	1.69
Netherlands – 3.83%	1,527	Heineken	117,227	2.67	
	3,433	RELX (Netherlands Listing)	50,784	1.16	
			168,011	3.83	1.23
Switzerland – 0.00%			–	–	1.12
United Kingdom – 28.35%	7,058	British American Tobacco	290,472	6.62	
	1,381	British American Tobacco ADR	56,295	1.28	
	6,081	Experian	93,860	2.14	
	5,994	Reckitt Benckiser	363,176	8.27	
	7,449	RELX (London Listing)	110,022	2.51	
	8,386	Unilever	330,618	7.53	
			1,244,443	28.35	29.29
United States – 46.30%	1,551	Abbott Laboratories	65,331	1.49	
	860	Altria	38,188	0.87	
	1,282	Automatic Data Processing	101,893	2.32	
	4,836	Coca-Cola	148,985	3.39	
	1,688	Danaher	115,843	2.64	
	423	FactSet Research Systems	59,665	1.36	
	1,304	Fidelity National Information Services	88,396	2.01	
	359	International Flavors & Fragrances	34,474	0.79	
	481	Intuit	58,466	1.33	
	4,532	Microsoft	288,071	6.56	
	503	Moody's	56,848	1.30	
	3,389	NIKE	157,719	3.59	
	2,736	Philip Morris International	194,087	4.42	
	3,552	Twenty-First Century Fox 'A' Shares	90,635	2.06	
	4,309	Twenty-First Century Fox 'B' Shares	108,755	2.48	
	2,452	Visa	204,004	4.65	
	695	Walt Disney	48,689	1.11	
	2,998	Zoetis	172,655	3.93	
			2,032,704	46.30	44.82
Swaps Contracts – 0.23%	3,025,653	Morgan Stanley International Total Return Swap Pay 2% 03/05/2018	3,690	0.08	
	3,032,037	Morgan Stanley International Total Return Swap Pay 0.5% 03/05/2018	874	0.02	
	2,961,119	Morgan Stanley International Total Return Swap Pay 2% 31/05/2018	4,382	0.10	
	3,004,059	Morgan Stanley International Total Return Swap Pay 0.5% 31/05/2018	1,312	0.03	
			10,258	0.23	(0.11)
		Portfolio of investments	4,356,150	99.22	98.99
		Net other assets	34,329	0.78	1.01
		Net assets	4,390,479	100.00	100.00

All holdings are ordinary shares unless otherwise stated.

Global Brands Equity Income Fund

Securities Financing Transactions

AS AT 31 MARCH 2018 (UNAUDITED)

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 six month period ended 31 March 2018 as detailed below:

1) Global Data

Assets engaged in Total Return Swaps	GBP	%
Total Net Assets	4,390,479	
Unrealised Gain and Loss in Fund Currency (in absolute value):		
Total return swaps	10,258	
% of Total Net Asset Value		0.23%

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	10,258

3) Aggregate transaction data

No collateral was received or granted by the Fund with respect to the Total Return Swap transaction during the six month period 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	-	-	-	10,258	-	-	-	10,258
	-	-	-	10,258	-	-	-	10,258

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	55,498
Net realised gain/(loss) on total return swap contracts	(224,903)
Net change in unrealised appreciation/(depreciation) on total return swap contracts	15,806
	(153,599)
Cost	
Interest paid on total return swap transactions	-
	-
Net Return	(153,599)

Global Brands Equity Income Fund

Statement of Total Return

FOR THE SIX MONTH PERIOD ENDED 31 MARCH 2018 (UNAUDITED)

	31 Mar 2018 (£)	31 Mar 2018 (£)	31 Mar 2017 (£)	31 Mar 2017 (£)
Income				
Net capital (losses)/gains		(183,572)		284,189
Revenue	94,420		87,166	
Expenses	(19,844)		(15,096)	
Net revenue before taxation	74,576		72,070	
Taxation	(10,702)		(10,489)	
Net revenue after taxation		63,874		61,581
Total return before distributions		(119,698)		345,770
Distributions		(80,486)		(79,696)
Change in net assets attributable to shareholders from investment activities		(200,184)		266,074

Statement of Change in Net Assets Attributable to Shareholders

FOR THE SIX MONTH PERIOD ENDED 31 MARCH 2018 (UNAUDITED)

	31 Mar 2018 (£)	31 Mar 2018 (£)	31 Mar 2017 (£)	31 Mar 2017 (£)
Opening net assets attributable to shareholders		4,295,913		3,526,409
Amounts receivable on issue of shares	344,393		3,249	
Amounts payable on cancellation of shares	(84,922)		(365)	
		259,471		2,884
Change in net assets attributable to shareholders from investment activities		(200,184)		266,074
Retained distribution on accumulation shares		35,279		40,035
Closing net assets attributable to shareholders		4,390,479		3,835,402

Comparatives are for the period 30 August 2016 to 31 March 2017.

Balance Sheet

AS AT 31 MARCH 2018 (UNAUDITED)

	31 Mar 2018 (£)	31 Mar 2018 (£)	30 Sep 2017 (£)	30 Sep 2017 (£)
Assets				
Investment assets		4,356,150		4,257,735
Debtors	31,192		29,137	
Cash and bank balances	85,993		91,744	
Total other assets		117,185		120,881
Total assets		4,473,335		4,378,616
Liabilities				
Investment liabilities		-		5,335
Creditors	61,505		58,535	
Distribution payable on income shares	21,351		18,833	
Total liabilities		82,856		82,703
Net assets attributable to shareholders		4,390,479		4,295,913

The interim financial statements have been prepared in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Association in May 2014.

The accounting policies applied are consistent with those of the annual financial statement for the year ended 30 September 2017 and are described in those annual financial statements.

Global Brands Equity Income Fund

Distribution Tables

FOR THE SIX MONTH PERIOD ENDED 31 MARCH 2018 (UNAUDITED)

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 October 2017

Group 2: shares purchased between 1 October 2017 and 31 December 2017

	Revenue (p)	Equalisation (p)	Distribution paid/accumulated 28 Feb 2018 (p)	Distribution paid/accumulated 28 Feb 2017 (p)
Share Class F – Income*				
Group 1	9.1604	–	9.1604	N/A
Group 2	7.1858	1.9746	9.1604	N/A
Share Class I – Accumulation				
Group 1	10.4391	–	10.4391	10.9326
Group 2	7.1310	3.3081	10.4391	10.9326
Share Class I – Income				
Group 1	9.9904	–	9.9904	10.9100
Group 2	9.9904	0.0000	9.9904	10.9100

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 January 2018

Group 2: shares purchased between 1 January 2018 and 31 March 2018

	Revenue (p)	Equalisation (p)	Distribution payable 31 May 2018 (p)	Distribution paid/accumulated 31 May 2017 (p)
Share Class F – Income*				
Group 1	8.0881	–	8.0881	N/A
Group 2	5.7440	2.3441	8.0881	N/A
Share Class I – Accumulation				
Group 1	9.2941	–	9.2941	11.9091
Group 2	3.9868	5.3073	9.2941	11.9091
Share Class I – Income				
Group 1	8.8146	–	8.8146	11.7621
Group 2	4.7145	4.1001	8.8146	11.7621

* Share class F Income was launched on 29 August 2017, therefore no prior year figures are available.

EQUALISATION

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the average amount of income included in the purchase 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

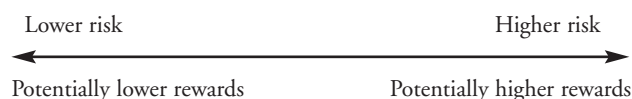
As at 31 March 2018 (unaudited)

Fund Review

INVESTMENT OBJECTIVE

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

RISK AND REWARD PROFILE



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

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

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

- Investment in China A – Shares via Shanghai – Hong Kong Stock Connect program may also entail additional risks, such as risks linked to the ownership of shares.
- The Fund relies on other parties to fulfil certain services, investments or transactions. If these parties become insolvent, it may expose the Fund to financial loss.
- There may be an insufficient number of buyers or sellers which may affect the Fund's ability to buy or sell securities.
- There are increased risks of investing in emerging markets as political, legal and operational systems may be less developed than in developed markets.

PERFORMANCE

	Since inception % change cumulative	1 year % change cumulative	6 months % change cumulative
S&P 500 Index	17.22	1.61	1.22
US Advantage Fund I Acc*	25.38	9.94	7.46
S&P 500 Index	11.28	1.61	1.22
US Advantage Fund F Acc**	16.11	10.20	7.62

Source Index: Morgan Stanley Investment Management Ltd via RIMES as at 31 March 2018.
Source Fund: Morgan Stanley Investment Management Ltd.

* Launched 15 September 2016.

** Launched 28 November 2016.

Past performance is no guarantee of future returns. In particular, any returns illustrated here will not necessarily continue at the levels shown.

NET ASSET VALUES

Date	Net asset value of class (£)	Shares in issue	Net asset value per share (£)	Percentage change (%)
Share Class F – Accumulation*				
31.03.18	31,651,084	2,726,714	11.61	7.60
30.09.17	24,469,964	2,268,320	10.79	
Share Class I – Accumulation*				
31.03.18	4,879,564	389,310	12.53	7.37
30.09.17	4,080,358	349,768	11.67	

* Valued at bid basis.

OPERATING CHARGES

Date	
Share Class F – Accumulation	
31.03.18	0.55%
30.09.17	0.55%
Share Class I – Accumulation	
31.03.18	0.85%
30.09.17	0.85%

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

US Advantage Fund

Fund Review (continued)

PERFORMANCE REVIEW

For the six-month period ending 31 March 2018, the Fund's I Accumulation class shares outperformed the benchmark S&P 500 Index by 6.24%, returning 7.46% (net of fees in sterling) versus 1.22% 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. The Fund's outperformance in the reporting period was driven by favourable stock selection and sector allocation.

The largest positive contributions to relative performance came from the consumer discretionary, health care and industrials sectors. Relative gains in the consumer discretionary sector were primarily driven by an overweight allocation to the sector and, to a lesser extent, our stock selection in the sector. In health care, our stock selection was beneficial, with a moderate boost from an underweight allocation to the sector. Our stock selection in industrials was also favourable, but an overweight allocation to the sector slightly dampened the relative outperformance.

The materials sector had a relatively neutral impact on performance in this period, and aside from the aforementioned overweight in industrials, no other sector materially detracted from relative performance at the sector level.

MARKET REVIEW

For most of the reporting period, U.S. stock prices enjoyed upward momentum amid global economic growth, low interest rates and inflation, and subdued volatility. However, in the final two months of the period, markets retraced much of the earlier gain. Concerns about faster-than-expected inflation and the timing of monetary tightening by the U.S. Federal Reserve, regulatory scrutiny of technology companies and escalating trade rhetoric weighed on share prices throughout February and March. In sterling terms, the S&P 500 Index ended the six-month period up a modest 1.22%. The consumer discretionary, information technology and financials sectors were the top performers and the only three sector with positive returns over the period. The telecommunication services, utilities and real estate sectors were the weakest performers.

PORTFOLIO ACTIVITY

As of the end of the reporting period, the Fund's largest sector weights were consumer discretionary, information technology and industrials. The Fund had no exposure to the consumer staples, energy, real estate, utilities and telecommunication services sectors.

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

AS AT 31 MARCH 2018 (UNAUDITED)

	Holdings	Investments	Market Value (£)	% of Net Asset Value 31 Mar 2018	% of Net Asset Value 30 Sep 2017
Consumer Goods – 12.59%					
	38,114	Activision Blizzard	1,787,048	4.89	
	8,797	LVMH Moët Hennessy Louis Vuitton	1,908,842	5.23	
	2,179	Mohawk Industries	354,631	0.97	
	11,802	NIKE	549,247	1.50	
			4,599,768	12.59	9.29
Consumer Services – 24.56%					
	3,224	Amazon.com	3,276,827	8.97	
	400	Booking	584,362	1.60	
	27,209	Copart	964,017	2.64	
	10,426	Rollins	374,288	1.03	
	45,275	Starbucks	1,864,578	5.10	
	9,845	TJX	565,012	1.55	
	19,159	Walt Disney	1,342,214	3.67	
			8,971,298	24.56	21.07
Financials – 8.98%					
	12,777	Berkshire Hathaway	1,785,137	4.89	
	476	Markel	390,661	1.07	
	4,631	Mastercard	560,832	1.53	
	4,088	S&P Global	544,495	1.49	
			3,281,125	8.98	17.39
Health Care – 2.51%					
	15,929	Zoetis	917,350	2.51	
			917,350	2.51	2.70
Industrials – 22.87%					
	2,651	Broadridge Financial Solutions	202,028	0.55	
	25,774	Canadian National Railway	1,311,841	3.59	
	13,190	Danaher	905,192	2.48	
	10,335	Fortive	563,367	1.54	
	3,914	Martin Marietta Materials	561,708	1.54	
	1,974	Sherwin-Williams	540,827	1.48	
	19,883	Union Pacific	1,848,102	5.06	
	20,468	United Technologies	1,811,356	4.96	
	6,950	Vulcan Materials	550,109	1.50	
	494	Watsco	61,863	0.17	
			8,356,393	22.87	22.72
Technology – 21.23%					
	2,684	Alphabet	1,917,463	5.25	
	7,403	Facebook	805,609	2.21	
	16,757	Salesforce.com	1,345,065	3.68	
	8,101	ServiceNow	919,994	2.52	
	91,354	Twitter	1,847,675	5.06	
	10,429	Workday	917,892	2.51	
			7,753,698	21.23	22.55
Options – 0.05%					
	10,924,864	Currency Option USD Call CNH Put 7.1605% January 2019	13,674	0.04	
	9,859,691	Currency Option USD Call CNH Put 7.52% November 2018	2,545	0.01	
	7,005,106	Currency Option USD Call CNH Put 7.55% August 2018	434	–	
			16,653	0.05	0.04
		Portfolio of investments	33,896,285	92.79	95.76
		Net other assets	2,634,363	7.21	4.24
		Net assets	36,530,648	100.00	100.00

All holdings are ordinary shares unless otherwise stated.

US Advantage Fund

Statement of Total Return

FOR THE SIX MONTH PERIOD ENDED 31 MARCH 2018 (UNAUDITED)

	31 Mar 2018 (£)	31 Mar 2018 (£)	31 Mar 2017 (£)	31 Mar 2017 (£)
Income				
Net capital gains		2,014,190		939,924
Revenue	126,014		35,644	
Expenses	(95,835)		(33,497)	
Net revenue before taxation	30,179		2,147	
Taxation	(17,506)		(5,441)	
Net revenue/(expense) after taxation		12,673		(3,294)
Total return before distributions		2,026,863		936,630
Equalisation		626		(9,891)
Change in net assets attributable to shareholders from investment activities		2,027,489		926,739

Statement of Change in Net Assets Attributable to Shareholders

FOR THE SIX MONTH PERIOD ENDED 31 MARCH 2018 (UNAUDITED)

	31 Mar 2018 (£)	31 Mar 2018 (£)	31 Mar 2017 (£)	31 Mar 2017 (£)
Opening net assets attributable to shareholders		28,550,322		3,626,274
Amounts receivable on issue of shares	6,208,685		18,451,233	
Amounts payable on cancellation of shares	(255,848)		(133,088)	
		5,952,837		18,318,145
Dilution adjustment charged		–		10,640
Change in net assets attributable to shareholders from investment activities		2,027,489		926,739
Retained distribution on accumulation shares		–		–
Closing net assets attributable to shareholders		36,530,648		22,881,798

Comparatives are for the period 15 September 2016 to 31 March 2017.

Balance Sheet

AS AT 31 MARCH 2018 (UNAUDITED)

	31 Mar 2018 (£)	31 Mar 2018 (£)	30 Sep 2017 (£)	30 Sep 2017 (£)
Assets				
Investment assets		33,896,285		27,340,906
Debtors	230,149		30,051	
Cash and bank balances	2,632,436		1,313,179	
Total other assets		2,862,585		1,343,230
Total assets		36,758,870		28,684,136
Liabilities				
Creditors	228,222		133,814	
Total liabilities		228,222		133,814
Net assets attributable to shareholders		36,530,648		28,550,322

The interim financial statements have been prepared in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Association in May 2014.

The accounting policies applied are consistent with those of the annual financial statement for the year ended 30 September 2017 and are described in those annual financial statements.

Sterling Corporate Bond Fund

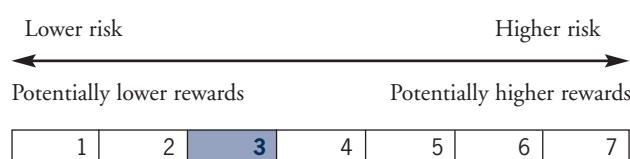
As at 31 March 2018 (unaudited)

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.

PERFORMANCE

	Since inceptions % change cumulative	1 year % change cumulative	6 months % change cumulative
Bank of America – Merrill Lynch Sterling Non-Gilt Index****	128.46	1.30	0.67
Sterling Corporate Bond A Acc*	114.97	1.50	0.47
Bank of America – Merrill Lynch Sterling Non-Gilt Index	25.40	1.30	0.67
Sterling Corporate Bond F Acc**	23.23	2.29	0.86
Bank of America – Merrill Lynch Sterling Non-Gilt Index****	175.15	1.30	0.67
Sterling Corporate Bond I Acc***	163.95	2.14	0.79

Source Index: Morgan Stanley Investment Management Ltd via RIMES as at 31 March 2018.
Source Fund: Morgan Stanley Investment Management Ltd.

* Launched 3 February 2003.

** Launched 3 March 2014.

*** Launched 11 December 2000.

**** The benchmark for the Fund is a blend of the Bank of America – Merrill Lynch Sterling Non-Gilt All Stocks 10yr+ Index to 3 November 2003 and Bank of America – Merrill Lynch Sterling Non-Gilt Index thereafter.

Past performance is no guarantee of future returns. In particular, any returns illustrated here will not necessarily continue at the levels shown.

NET ASSET VALUES

Date	Net asset value of class (£)	Shares in issue	Net asset value per share (£)	Percentage change (%)
Share Class A – Accumulation*				
31.03.18	2,931,483	119,921	24.45	0.45
30.09.17	3,403,038	139,794	24.34	
Share Class A – Income*				
31.03.18	706,882	45,465	15.55	(0.58)
30.09.17	685,286	43,820	15.64	
Share Class I – Accumulation*				
31.03.18	4,995,691	189,904	26.31	0.73
30.09.17	28,088,709	1,075,554	26.12	
Share Class I – Income*				
31.03.18	45,936,370	2,959,362	15.52	(0.58)
30.09.17	48,474,522	3,104,661	15.61	
Share Class F – Accumulation*				
31.03.18	61,163,578	49,802,324	1.23	0.82
30.09.17	60,277,500	49,477,504	1.22	
Share Class F – Income*				
31.03.18	90,776,174	82,133,111	1.11	0.00
30.09.17	87,274,875	78,515,817	1.11	

* Valued at bid basis.

Sterling Corporate Bond Fund

Fund Review (continued)

OPERATING CHARGES

Date	
Share Class A – Accumulation	
31.03.18	1.00%
30.09.17	1.00%
Share Class A – Income	
31.03.18	1.00%
30.09.17	1.00%
Share Class I – Accumulation	
31.03.18	0.37%
30.09.17	0.37%
Share Class I – Income	
31.03.18	0.37%
30.09.17	0.37%
Share Class F – Accumulation	
31.03.18	0.22%
30.09.17	0.22%
Share Class F – Income	
31.03.18	0.22%
30.09.17	0.22%

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

PERFORMANCE REVIEW

For the six-month period ending 31 March 2018, the Fund's I Accumulation class shares outperformed the benchmark Bank of America-Merrill Lynch Sterling Non-Gilt All Stocks Index by 0.12%, returning 0.79% (net of fees in sterling) versus 0.67% for the Index.

The outperformance of the Fund was driven primarily by the Fund's credit positioning. The Fund is positioned to be underweight credit in spread duration terms but is overweight in some of the higher-beta sectors. The overweight to subordinated banks and insurance, capital goods 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. New issues created relative value opportunities, which the Fund took advantage of. The underweight to duration had a negative impact on relative performance. During the period, five-year gilt yields rose 31 basis points (bps), 10-year gilt yields fell 1 bp and 30-year gilts yields fell 21 bps. 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 last six months have been mixed for sterling credit and other risk assets. Sterling investment grade corporate credit spreads were 9 bps wider during the period, outperforming U.S. (8 bps wider) credit and euro credit (1 bp tighter, helped by the technical support from the European Central Bank's Corporate Sector Bond Purchase Programme). During most of the period, sterling credit spreads were supported by a combination of accommodative global monetary policy, fiscal stimulus and the prospect of less regulation in the U.S., stronger global economic data prints, low default rates and low volatility. However, volatility picked up towards the end of the period as better-than-expected inflation data, particularly in the U.S., as well as news flows around trade tariffs, saw the investor community re-evaluate their outlook for monetary accommodation and triggered equity market volatility, which transferred into lower risk appetite in the credit markets. During the period, utilities underperformed (16 bps wider) relative to industrials (6 bps wider) and financials (9 bps wider). The best-performing sectors were automotive and metals, while gas and pharmaceuticals underperformed. Bonds lower on the risk spectrum and split-rated corporate hybrids underperformed, while shorter-dated bonds outperformed longer-dated bonds (most of the new supply during the period was at the longer maturities). Gilt yields and other core government bond yields were broadly higher across the curve, with curves flattening (5-year gilts +31 bps, 10-year gilts -1 bp), driven by the general risk-on sentiment, better-than-expected growth prints and inflation (particularly in the U.K., where inflation reached 3.1%), and an expectation that central banks remain set on their gradual and deliberate path towards rate normalization.

In the U.K., the May government reached a deal to move Brexit discussions forward. The agreement resolved differences in the exit payment to the European Union (EU), EU citizens' rights and the Irish border, and allowed the parties to move to the main Brexit discussions. This was a positive move, although the task of hammering out a Brexit trade deal remains. Resilient unemployment and wage data caused shorter-dated gilts to sell off given the Monetary Policy Committee's (MPC) concerns that a tight labour market will lead to above-target inflation. At the same time, weak retail sales figures and moderating house prices suggest household confidence is slipping (real wage growth is still negative due to high inflation), while the trend of upside economic growth surprises has stopped. The Bank of England voted 7-2 on 22 March 2018 to keep policy unchanged. Two members voted for an immediate rate rise given inflation risks. The unemployment rate's three-month average ticked down to 4.2% at the end of the period, while gross domestic product (GDP) growth remained robust. In the currency market, sterling appreciated against major currencies, supported by progress in Brexit negotiations, stronger inflation and the increased probability of a rate rise in the U.K.

Sterling Corporate Bond Fund

Fund Review (continued)

In the U.S., Janet Yellen finished her last Federal Open Market Committee (FOMC) meeting as Federal Reserve (Fed) chair in January. The meeting left policy unchanged while growth assessment remains positive. The committee believes conditions warrant further increases in rates. In the March meeting, the FOMC raised rates by 25 bps, which was widely anticipated by markets. In the dot plot, the FOMC still anticipate a median of three hikes in 2018, same as the previous meeting. However, it raised the median forecast for 2019 and 2020 by around one hike. The terminal rate was raised to 2.9% from 2.75%. In addition, economic projections were upbeat, with growth projected at 2.7% for 2018 and core personal consumption expenditures expected to hit 2.1% in 2019. New Fed Chairman Powell struck a pragmatic tone in the press conference, emphasising that policy will adjust based on the data. In terms of data, the consumer price index (CPI) rose to 2.2% in February, from 2.1% previously, boosted by energy price base effects. Core CPI remained at 1.8%.

In the eurozone, the European Central Bank (ECB) announced plans to taper quantitative easing purchases at the October meeting. The ECB plans to reduce monthly purchases starting in January 2018 from €60 billion per month currently to €30 billion per month. This will last until September 2018. The ECB plans to continue reinvesting to maintain the balance sheet size. The gradual pace of tapering means the policy environment should be benign for European assets. In Germany, Chancellor Merkel was able to reach an agreement with the centre-left Social Democratic Party (SPD) to form a grand coalition, avoiding a new election. Given the relative divisiveness of the deal, SPD leader Martin Schultz resigned. In Italy, the March 4th general elections led to a hung parliament where no coalition won enough votes to govern. The Forza-Italia and Lega Nord centre-right coalition won the most votes, though the Five Star Movement won the most votes as a single party. The Lega Nord and Five Star Movement are potential kingmakers, though if no viable coalitions emerge, we'd expect new elections. Spain was upgraded by S&P to A- in March. In Norway, the Norgesbank changed its inflation target from 2.5% to 2.0%, a sign that the bank may bring forward its projected rate rises. ECB President Draghi mentioned currency volatility as a source of uncertainty, in reference to recent euro strengthening. However, he attributed some of the strength to better euro area growth, which the market took as bullish for the euro.

PORTFOLIO ACTIVITY

The Fund has remained active throughout the period, participating in new issues and actively rotating existing issues. The allocation to financials has marginally increased during the period; at the margin, the Fund did increase allocation to bonds higher up the capital structure as valuations between senior and

subordinated bonds compressed (still long subordinated financials), making a few primary deals in the senior space look relatively cheap at new issue. The Fund's exposure to industrials (small underweight in spread duration terms but still overweight some of the higher-beta sectors) fell at the margin throughout the period, driven mainly by a reduction in exposure to the consumer cyclical sector. The Fund remained underweight to government-related securities, securitised and covered bonds, driven by limited spread pick-up and the existence of more attractive investment opportunities in other segments of the credit market. Exposure to corporate hybrids was marginally lower during the period. The Fund remained underweight duration during the period, with the underweight getting as low as -1.6 years and as high as -1.95 years versus the benchmark.

STRATEGY & OUTLOOK

The Fund is positioned underweight relative to the benchmark. Yields are below our fair value and low in absolute terms relative to where we are in the cycle; hence, we think there is an asymmetric risk in owning duration. We are wary of sharp curve steepening, which could be caused by multiple factors including (but not limited to) stronger inflation, stronger-than-consensus growth, the outcome from 'Brexit' negotiations and/or political factors. We think the underweight in risk-free rates provide a good hedge to carry-oriented strategies. We are underweight credit in spread durations terms but overweight some of the higher-beta credit (thus long credit). We are overweight financials (however, less than we were at the start of the period) and in particular the lower Tier 2 part of the capital structure of some of the more systematically important banks or 'national champions,' as we like to call them. We would rather own these bonds than the senior bonds of some of the weaker banks. Regulators have demanded banks de-risk their balance sheets post the financials crisis of 2007, which we view as a positive for bondholders, particularly in the lower Tier 2 part of the capital structure on a risk adjusted basis. We like the insurance sector, where we see improving fundamentals and attractive valuations. In addition, valuations remain attractive relative to spreads offered in other sectors of the credit market. We are underweight industrials, where shareholder-friendly actions such as merger and acquisition (M&A) activity have the ability to transfer wealth from bondholders to shareholders. We remain selective in this space, looking for opportunities as they arrive. We are more than happy to fund an M&A transaction once the deal has been announced, as long as we see value in the deal and the bonds. Valuation is toward the tighter end of recent ranges. We expect more industrials to increase leverage as they enter the expansion phase of the business cycle and hence spreads to widen (we have seen some of this widening in the first quarter of 2018). In the hybrids space, our focus is on some of the stronger and more frequent issuers, where we are comfortable with the premium being paid to be lower down the capital structure. We also like the newer hybrid

Sterling Corporate Bond Fund

structures where issuers lose equity credit after the first call date. We feel that valuations remain relatively attractive. We also think the break-even for some of the short call hybrids in the market are attractive. In the high yield space we feel low steady growth should keep defaults low. We also believe high yield will continue to benefit from the 'portfolio rebalancing' effect and the demand from investment grade investors as investors hunt for higher yields.

We expect the primary market to create relative value opportunities, which the Fund will look to take advantage of. Positioning reflects our overall view that global economic growth will remain robust.

Recent economic growth indicators (Gross Domestic Product (GDP), Purchasing Managers Indices (PMI)), support for fiscal stimulus (tax cuts) and less strenuous regulation in the U.S., should all support the positive momentum in the U.S. and global economy. Overall, this should keep defaults low, and support lower-quality credit assets.

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

AS AT 31 MARCH 2018 (UNAUDITED)

Nominal in GBP unless stated	Investments	Market Value (£)	% of net Asset Value 31 Mar 2018	% of net Asset Value 30 Sep 2017
Corporate Bonds – 85.31%				
1,100,000	Aareal Bank 1% 04/06/2020	1,094,434	0.53	
2,100,000	ABN AMRO Bank 1.375% 07/06/2022	2,068,479	1.00	
200,000	ABP Finance 6.25% 14/12/2026	249,882	0.12	
200,000	Aegon 6.125% 15/12/2031	269,666	0.13	
300,000	Affinity Water Finance 5.875% 13/07/2026	379,746	0.18	
450,000	Affordable Housing Finance 3.8% 20/05/2044	590,319	0.29	
725,000	Affordable Housing Finance 2.893% 11/08/2045	831,227	0.40	
600,000	American Honda Finance 1.3% 21/03/2022	593,376	0.29	
350,000	Amgen 4% 13/09/2029	392,144	0.19	
400,000	Anglian Water Services Financing 6.875% 21/08/2023	501,680	0.24	
1,000,000	Anglian Water Services Financing 4.5% 22/02/2026	1,101,850	0.53	
1,000,000	Anglian Water Services Financing 2.625% 15/06/2027	958,720	0.46	
2,500,000	Anheuser-Busch 2.85% 25/05/2037	2,421,350	1.17	
1,000,000	Annington Funding 2.646% 12/07/2025	990,790	0.48	
750,000	Annington Funding 3.935% 12/07/2047	781,800	0.38	
1,000,000	Apple 3.6% 31/07/2042	1,192,560	0.58	
800,000	APT Pipelines 4.25% 26/11/2024	872,712	0.42	
150,000	Ardagh Packaging Finance 4.75% 15/07/2027	145,818	0.07	
EUR100,000	Arena Luxembourg Finance 2.875% 01/11/2024	89,221	0.04	
1,650,000	Aroundtown 3% 16/10/2029	1,594,725	0.77	
100,000	Arqiva Financing 5.34% 30/12/2037	117,531	0.06	
500,000	Arrow Global Finance 5.125% 15/09/2024	494,565	0.24	
600,000	ASB Finance 1% 07/09/2020	591,960	0.29	
1,725,000	AT&T 3.55% 14/09/2037	1,723,948	0.83	
250,000	Aviva 6.125% 14/11/2036	287,858	0.14	
1,000,000	Aviva 4.375% 12/09/2049	1,003,400	0.49	
300,000	Aviva 5.125% 04/06/2050	317,517	0.15	
600,000	AXA 7.125% 15/12/2020	680,136	0.33	
250,000	Bank of America 5.5% 22/11/2021	279,235	0.14	
1,000,000	Bank of America 4.25% 10/12/2026	1,130,610	0.55	
800,000	Bank of Ireland 3.125% 19/09/2027	781,792	0.38	
2,200,000	Bank of Montreal 1.625% 21/06/2022	2,186,382	1.06	
1,600,000	Banque Federative du Credit Mutuel 1.375% 20/12/2021	1,586,336	0.77	
1,000,000	BAT Capital 2.125% 15/08/2025	973,130	0.47	
900,000	BAT International Finance 4% 23/11/2055	1,045,332	0.51	
2,250,000	Bazalgette Finance 2.375% 29/11/2027	2,204,617	1.07	
1,300,000	BHP Billiton Finance 6.5% 22/10/2077	1,496,183	0.72	
1,000,000	BNP Paribas 5.75% 24/01/2022	1,133,270	0.55	
600,000	BNP Paribas 1.125% 16/08/2022	582,336	0.28	
800,000	BPCE 5.25% 16/04/2029	942,568	0.46	
1,000,000	BUFA Finance 5% 08/12/2026	1,111,810	0.54	
1,500,000	Cadent Finance 2.625% 22/09/2038	1,389,345	0.67	
600,000	Cadent Finance 3.125% 21/03/2040	598,758	0.29	
150,000	Cambridgeshire Housing Capital 4.25% 15/09/2045	181,416	0.09	
50,000	Canary Wharf Finance II 5.952% 22/10/2037	71,400	0.03	
450,000	Centrica 5.25% 10/04/2075	475,308	0.23	
2,000,000	Chancellor Masters and Scholars of the University of Oxford 2.544% 08/12/2117	2,037,000	0.99	
150,000	Citigroup 7.375% 01/09/2039	244,703	0.12	
EUR550,000	CNAC HK Finbridge 1.75% 14/06/2022	480,073	0.23	
1,000,000	CNP Assurances 7.375% 30/09/2041	1,142,060	0.55	
300,000	Commonwealth Bank of Australia 4.875% 19/12/2023	306,903	0.15	
EUR1,000,000	Commonwealth Bank of Australia 2% 22/04/2027	907,116	0.44	
1,000,000	Cooperatieve Rabobank 5.25% 14/09/2027	1,164,350	0.56	
1,500,000	Coventry Building Society 1.875% 24/10/2023	1,474,995	0.71	
1,000,000	CPUK Finance 2.666% 28/02/2042	1,015,880	0.49	
1,000,000	Credit Suisse 2.125% 12/09/2025	970,730	0.47	
100,000	Credit Suisse Finance 7% 05/10/2020	112,270	0.05	
700,000	Credit Suisse Funding 3% 27/05/2022	724,864	0.35	
1,000,000	Crh Finance UK 4.125% 02/12/2029	1,122,430	0.54	
2,000,000	Deutsche Bank 1.875% 28/02/2020	1,992,580	0.96	
2,100,000	Deutsche Bank 1.75% 16/12/2021	2,048,214	0.99	
2,600,000	Discovery Communications 2.5% 20/09/2024	2,550,496	1.23	
1,000,000	DS Smith 2.875% 26/07/2029	970,140	0.47	
1,400,000	DXC Technology 2.75% 15/01/2025	1,398,754	0.68	
500,000	Eastern Power Networks 5.75% 08/03/2024	594,270	0.29	
1,000,000	EDP Finance 8.625% 04/01/2024	1,323,700	0.64	
500,000	Electricite de France 6.125% 02/06/2034	667,930	0.32	
200,000	Electricite de France 6% 23/01/2114	274,380	0.13	

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Portfolio Statement (continued)

AS AT 31 MARCH 2018 (UNAUDITED)

Nominal in GBP unless stated	Investments	Market Value (£)	% of net Asset Value 31 Mar 2018	% of net Asset Value 30 Sep 2017
Corporate Bonds – 85.31% (continued)				
500,000	Electricity North West 8.875% 25/03/2026	728,730	0.35	
1,000,000	Enel 7.75% 10/09/2075	1,130,040	0.55	
200,000	Enel Finance 5.75% 14/09/2040	271,254	0.13	
EUR1,000,000	Energias de Portugal 5.375% 16/09/2075	971,538	0.47	
EUR100,000	Europcar Groupe 4.125% 15/11/2024	87,336	0.04	
1,250,000	Eversholt Funding 3.529% 07/08/2042	1,240,887	0.60	
682,000	Experian Finance 4.75% 23/11/2018	697,202	0.34	
1,500,000	FCA Capital Ireland 1.625% 29/09/2021	1,481,235	0.72	
1,000,000	FCE Bank 2.727% 03/06/2022	1,022,300	0.50	
900,000	Friends Life 8.25% 21/04/2022	1,108,593	0.54	
350,000	G4S 7.75% 13/05/2019	373,342	0.18	
1,000,000	Gatwick Funding 3.125% 28/09/2041	981,150	0.47	
1,200,000	Gatwick Funding 3.25% 26/02/2048	1,195,044	0.58	
900,000	GE Capital UK Funding Unlimited 4.125% 13/09/2023	987,723	0.48	
800,000	Glencore Canada Financial 7.375% 27/05/2020	892,832	0.43	
1,800,000	Goldman Sachs 4.25% 29/01/2026	1,998,324	0.97	
1,500,000	Hammerson 3.5% 27/10/2025	1,568,025	0.76	
1,000,000	Heathrow Funding 6% 20/03/2020	1,083,220	0.52	
400,000	Heathrow Funding 2.75% 09/08/2051	362,304	0.18	
300,000	High Speed Rail Finance 4.375% 01/11/2038	367,950	0.18	
825,000	Hiscox 6.125% 24/11/2045	957,289	0.46	
2,500,000	HSBC 2.256% 13/11/2026	2,433,050	1.18	
1,500,000	HSBC 5.75% 20/12/2027	1,803,900	0.87	
1,000,000	Iberdrola Finanzas 7.375% 29/01/2024	1,281,120	0.62	
300,000	Imperial Brands Finance 9% 17/02/2022	377,913	0.18	
300,000	Imperial Brands Finance 4.875% 07/06/2032	352,323	0.17	
EUR500,000	INEOS Finance 2.125% 15/11/2025	424,257	0.21	
200,000	ING Bank 6.875% 29/05/2023	201,478	0.10	
1,000,000	International Business Machines 2.625% 05/08/2022	1,043,660	0.51	
EUR600,000	International Game Technology 4.75% 15/02/2023	575,751	0.28	
2,000,000	Intesa Sanpaolo 5.25% 28/01/2022	2,234,860	1.08	
EUR250,000	Intrum Justitia 3.125% 15/07/2024	211,701	0.10	
200,000	IPIC GMTN 6.875% 14/03/2026	262,412	0.13	
500,000	Jaguar Land Rover Automotive 3.875% 01/03/2023	505,305	0.24	
300,000	John Lewis 4.25% 18/12/2034	306,237	0.15	
1,500,000	JPMorgan 3.5% 18/12/2026	1,634,310	0.79	
EUR400,000	La Financiere Atalian 4% 15/05/2024	356,779	0.17	
750,000	Legal & General 5.375% 27/10/2045	818,993	0.40	
500,000	Legal & General 5.5% 27/06/2064	546,380	0.26	
2,000,000	Lloyds Bank 7.625% 22/04/2025	2,596,400	1.26	
3,000,000	Lloyds Banking 2.25% 16/10/2024	2,933,100	1.42	
2,100,000	London & Quadrant Housing Trust 2.625% 28/02/2028	2,080,386	1.01	
750,000	London Power Networks 5.125% 31/03/2023	862,350	0.42	
800,000	Manchester Airport Group Funding 2.875% 31/03/2039	783,032	0.38	
1,000,000	McKesson 3.125% 17/02/2029	1,005,240	0.49	
2,000,000	Metropolitan Life Global Funding I 1.125% 15/12/2021	1,967,760	0.95	
500,000	Motability Operations 2.375% 14/03/2032	483,400	0.23	
500,000	Muenchener Rueckversicherungs-Gesellschaft 7.625% 21/06/2028	506,415	0.25	
500,000	Muenchener Rueckversicherungs-Gesellschaft 6.625% 26/05/2042	579,570	0.28	
1,500,000	National Express 2.5% 11/11/2023	1,491,720	0.72	
122,000	Nationwide Building Society 3% 06/05/2026	129,014	0.06	
900,000	Nationwide Building Society 3.25% 20/01/2028	957,762	0.46	
800,000	NGG Finance 5.625% 18/06/2073	888,208	0.43	
750,000	NIE Finance 6.375% 02/06/2026	973,957	0.47	
450,000	Northern Gas Networks Finance 4.875% 30/06/2027	537,727	0.26	
400,000	Northern Powergrid Holdings 7.25% 15/12/2022	495,464	0.24	
1,000,000	Northumbrian Water Finance 1.625% 11/10/2026	932,780	0.45	
1,000,000	Northumbrian Water Finance 2.375% 05/10/2027	976,710	0.47	
EUR394,000	Origin Energy Finance 7.875% 16/06/2071	350,084	0.17	
1,500,000	Orsted 4.875% 12/01/2032	1,832,010	0.89	
1,100,000	Paragon Treasury 3.625% 21/01/2047	1,201,882	0.58	

Sterling Corporate Bond Fund

Portfolio Statement (continued)

AS AT 31 MARCH 2018 (UNAUDITED)

Nominal in GBP unless stated	Investments	Market Value (£)	% of net Asset Value 31 Mar 2018	% of net Asset Value 30 Sep 2017
Corporate Bonds – 85.31% (continued)				
600,000	Petrobras Global Finance 5.375% 01/10/2029	590,988	0.29	
2,200,000	Petroleos Mexicanos 3.75% 16/11/2025	2,169,530	1.05	
500,000	Pizzaexpress Financing 6.625% 01/08/2021	465,040	0.23	
275,000	Porterbrook Rail Finance 7.125% 20/10/2026	362,302	0.18	
750,000	Procter & Gamble 1.8% 03/05/2029	720,945	0.35	
80,000	Prudential 6.875% 20/01/2023	98,776	0.05	
400,000	Prudential 5% 20/07/2055	424,896	0.21	
449,000	QBE Insurance 6.115% 24/05/2042	496,801	0.24	
EUR500,000	Quintiles IMS 3.25% 15/03/2025	438,888	0.21	
400,000	RHP Finance 3.25% 05/02/2048	409,732	0.20	
2,100,000	Royal Bank of Scotland 2.875% 19/09/2026	2,084,880	1.01	
225,000	Saga 3.375% 12/05/2024	211,163	0.10	
EUR1,600,000	Santander Issuances 3.125% 19/01/2027	1,509,899	0.73	
225,000	Santander UK 6.5% 21/10/2030	280,247	0.14	
700,000	Santander UK Group Holdings 3.625% 14/01/2026	744,310	0.36	
450,000	Scentre Trust 2.375% 08/04/2022	459,463	0.22	
1,000,000	Scotland Gas Networks 3.25% 08/03/2027	1,047,170	0.51	
100,000	Scottish Widows 5.5% 16/06/2023	110,413	0.05	
500,000	Segro 5.625% 07/12/2020	550,685	0.27	
860,000	Segro 2.375% 11/10/2029	832,471	0.40	
1,500,000	Segro 2.875% 11/10/2037	1,466,505	0.71	
450,000	Severn Trent Utilities Finance 6.125% 26/02/2024	545,206	0.26	
1,000,000	Severn Trent Utilities Finance 2.75% 05/12/2031	993,050	0.48	
750,000	SGSP Australia Assets 5.125% 11/02/2021	816,495	0.40	
1,350,000	Skipton Building Society 1.75% 30/06/2022	1,332,949	0.65	
600,000	SNCF Mobilites 5.375% 18/03/2027	763,818	0.37	
200,000	SNCF Reseau 5.25% 07/12/2028	260,284	0.13	
500,000	Southern Electric Power Distribution 4.625% 20/02/2037	617,015	0.30	
250,000	Southern Gas Networks 2.5% 03/02/2025	252,257	0.12	
2,000,000	Southern Gas Networks 3.1% 15/09/2036	2,020,020	0.98	
450,000	SP Manweb 4.875% 20/09/2027	537,844	0.26	
1,000,000	SSE 3.625% 16/09/2077	1,024,420	0.50	
500,000	Stagecoach 4% 29/09/2025	529,530	0.26	
250,000	TalkTalk Telecom 5.375% 15/01/2022	246,895	0.12	
EUR305,000	Telecom Italia 2.375% 12/10/2027	261,438	0.13	
EUR200,000	Telecom Italia Finance 7.75% 24/01/2033	261,681	0.13	
150,000	Telefonica Emisiones 5.445% 08/10/2029	184,219	0.09	
250,000	Tesco 6.125% 24/02/2022	281,452	0.14	
269,324	Tesco Property Finance 7.6227% 13/07/2039	360,118	0.17	
EUR300,000	Teva Pharmaceutical Finance Netherlands 1.625% 15/10/2028	203,534	0.10	
300,000	Together Housing Finance 4.5% 17/12/2042	371,193	0.18	
500,000	Transport for London 2.125% 24/04/2025	511,075	0.25	
300,000	Transport for London 3.875% 23/07/2042	378,663	0.18	
100,000	United Parcel Service 5.125% 12/02/2050	152,544	0.07	
EUR600,000	Unitymedia Hessen 4% 15/01/2025	553,719	0.27	
1,300,000	Verizon Communications 3.125% 02/11/2035	1,255,150	0.61	
650,000	Verizon Communications 3.375% 27/10/2036	645,040	0.31	
200,000	Virgin Media Finance 6.375% 15/10/2024	209,888	0.10	
625,000	Virgin Media Receivables Financing Notes II 5.75% 15/04/2023	627,525	0.30	
300,000	Virgin Media Secured Finance 5.125% 15/01/2025	305,967	0.15	
500,000	Virgin Money 2.25% 21/04/2020	503,645	0.24	
700,000	Vodafone 3% 12/08/2056	603,358	0.29	
2,300,000	Volkswagen Financial Services 1.625% 09/06/2022	2,277,828	1.10	
50,000	Washington Mutual Bank 5.5% 10/06/2019*	-	-	
1,100,000	Wellcome Trust 2.517% 07/02/2118	1,101,661	0.53	
1,500,000	Wells Fargo 1.375% 30/06/2022	1,460,220	0.71	
100,000	Welltower 4.8% 20/11/2028	114,616	0.06	
325,000	Wessex Water Services Finance 4% 24/09/2021	350,499	0.17	
500,000	Western Power Distribution East Midlands 5.25% 17/01/2023	572,950	0.28	
3,000,000	Western Power Distribution South West 2.375% 16/05/2029	2,897,910	1.40	
500,000	Western Power Distribution West Midlands 3.875% 17/10/2024	545,595	0.26	
1,000,000	Westfield America Management 2.625% 30/03/2029	985,570	0.48	
700,000	Westpac Banking 2.625% 14/12/2022	725,998	0.35	
450,000	Westpac Securities 2.5% 13/01/2021	461,020	0.22	
EUR500,000	Wind Tre 3.125% 20/01/2025	385,430	0.19	

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Portfolio Statement (continued)

AS AT 31 MARCH 2018 (UNAUDITED)

Nominal in GBP unless stated	Investments	Market Value (£)	% of net Asset Value 31 Mar 2018	% of net Asset Value 30 Sep 2017
Corporate Bonds – 85.31% (continued)				
500,000	Wm Morrison Supermarkets 4.625% 08/12/2023	558,360	0.27	
300,000	Wm Morrison Supermarkets 4.75% 04/07/2029	343,203	0.17	
781,701	Wods Transmission 3.446% 24/08/2034	845,034	0.41	
1,500,000	WPP Finance 2.875% 14/09/2046	1,238,715	0.60	
1,000,000	Yorkshire Building Society 4.125% 20/11/2024	1,032,400	0.50	
1,500,000	Yorkshire Building Society 3.5% 21/04/2026	1,588,020	0.77	
500,000	Yorkshire Building Society 3.375% 13/09/2028	486,770	0.24	
525,000	Yorkshire Housing Finance 4.125% 31/10/2044	610,433	0.30	
1,000,000	Yorkshire Water Services Bradford Finance 3.75% 22/03/2046	1,038,940	0.50	
		176,179,066	85.31	81.62
Floating Bonds – 2.51%				
1,218,039	Dukinfield 2 1.87408% 20/12/2052	1,234,714	0.60	
574,386	Eurosail-UK 2007-4BL 1.5535% 13/06/2045	563,073	0.27	
295,981	Farringdon Mortgages No 2 2.02156% 15/07/2047	298,533	0.14	
1,364,383	Finsbury Square 2017-1 1.30206% 12/03/2059	1,367,221	0.66	
351,527	ResLoC UK 2007-1 0.82591% 15/12/2043	322,575	0.16	
1,396,800	Towd Point Mortgage Funding 2017-Auburn 11 1.40319% 20/05/2045	1,399,942	0.68	
		5,186,058	2.51	4.93
Government Bonds – 3.27%				
700,000	Italy Government International Bond 6% 04/08/2028	867,265	0.42	
175,000	Jersey International Bond 3.75% 09/06/2054	227,825	0.11	
1,000,000	KFW 1.375% 01/02/2021	1,007,080	0.49	
600,000	KFW 6% 07/12/2028	850,620	0.41	
2,400,000	Korea Development Bank 1.75% 15/12/2022	2,361,072	1.14	
225,000	Mexico Government International Bond 5.625% 19/03/2114	239,063	0.12	
1,000,000	Spain Government International Bond 5.25% 06/04/2029	1,198,330	0.58	
		6,751,255	3.27	3.74
Perpetual Call Bonds – 5.44%				
850,000	Assicurazioni Generali 6.416%	907,460	0.44	
300,000	Aviva 6.125%	329,583	0.16	
500,000	AXA 6.772%	529,170	0.26	
EUR600,000	Banco Bilbao Vizcaya Argentaria 6.75%	567,716	0.28	
EUR500,000	Banco Santander 6.25%	455,556	0.22	
50,000	Barclays Bank 8.25%	52,218	0.03	
50,000	Barclays Bank 14%	56,289	0.03	
250,000	Direct Line Insurance Group 4.75%	248,082	0.12	
EUR300,000	Electricite de France 5%	281,523	0.14	
300,000	Electricite de France 6%	311,724	0.15	
1,000,000	ELM BV for Swiss Reinsurance 6.3024%	1,039,190	0.50	
EUR400,000	Gas Natural Fenosa Finance 3.375%	354,051	0.17	
50,000	Legal & General 5.875%	51,512	0.02	
EUR600,000	Lloyds Banking 6.375%	567,227	0.27	
100,000	National Westminster Bank 7.125%	111,530	0.05	
450,000	Nationwide Building Society 6.875%	467,847	0.23	
750,000	Pennon Group 2.875%	751,290	0.36	
500,000	RWE 7%	516,860	0.25	
500,000	Santander UK Group Holdings 7.375%	543,845	0.26	
EUR1,000,000	Solvay Finance 5.118%	973,808	0.47	
EUR600,000	Telefonica Europe 4.2%	552,399	0.27	
700,000	Veolia Environnement 4.85%	700,210	0.34	
750,000	Zurich Finance 6.625%	858,720	0.42	
		11,227,810	5.44	5.72
Supra-national Borrowers – 2.41%				
400,000	European Bank for Reconstruction & Development 5.625% 07/12/2028	546,736	0.26	
400,000	European Bank for Reconstruction & Development 5.125% 07/06/2032	554,792	0.27	
1,000,000	European Investment Bank 5.625% 07/06/2032	1,466,600	0.71	
1,400,000	European Investment Bank 4.625% 12/10/2054	2,415,980	1.17	
		4,984,108	2.41	2.13

Sterling Corporate Bond Fund

Portfolio Statement (continued)

AS AT 31 MARCH 2018 (UNAUDITED)

	Nominal in GBP unless stated	Investments	Market Value (£)	% of net Asset Value 31 Mar 2018	% of net Asset Value 30 Sep 2017
Futures Contracts – (0.22)%					
	(34)	Euro Bobl Futures June 2018	(30,617)	(0.01)	
	(27)	Euro Bund Futures June 2018	(62,467)	(0.03)	
	(212)	UK Long Gilt Bond Futures June 2018	(364,330)	(0.18)	
			(457,414)	(0.22)	0.04
Forward Contracts – 0.08%					
		Bought EUR250,000 for GBP218,500 Settlement 23/05/2018	920	0.00	
		Bought EUR70,000 for GBP61,558 Settlement 23/05/2018	(121)	0.00	
		Bought EUR200,000 for GBP176,217 Settlement 23/05/2018	(681)	0.00	
		Sold EUR14,685,000 for GBP13,046,888 Settlement 23/05/2018	158,178	0.08	
			158,296	0.08	(0.04)
		Portfolio of investments	204,029,179	98.80	98.14
		Net other assets	2,480,999	1.20	1.86
		Net assets	206,510,178	100.00	100.00

* Defaulted security, fair valued.

Sterling Corporate Bond Fund

Portfolio Statement (continued)

AS AT 31 MARCH 2018 (UNAUDITED)

Rating Block	Market Value (£)
AAA	15,639,853
AA+	1,192,560
AA	4,305,314
AA-	6,758,796
A+	6,721,164
A	14,225,373
A-	24,986,126
BBB+	59,320,796
BBB	35,238,013
BBB-	16,816,557
BB+	7,995,303
BB	4,984,458
BB-	2,650,226
B+	900,624
B	983,231
B-	552,376
Unrated	1,057,527
Portfolio of investments*	204,328,297

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

Sterling Corporate Bond Fund

Statement of Total Return

FOR THE SIX MONTH PERIOD ENDED 31 MARCH 2018 (UNAUDITED)

	31 Mar 2018 (£)	31 Mar 2018 (£)	31 Mar 2017 (£)	31 Mar 2017 (£)
Income				
Net capital losses		(1,112,495)		(2,335,459)
Revenue	3,166,074		3,079,627	
Expenses	(288,109)		(296,613)	
Interest payable and similar charges	(97)		(416)	
Net revenue before taxation	2,877,868		2,782,598	
Taxation	-		(537)	
Net revenue after taxation		2,877,868		2,782,061
Total return before distributions		1,765,373		446,602
Distributions		(2,877,820)		(2,782,085)
Change in net assets attributable to shareholders from investment activities		(1,112,447)		(2,335,483)

Statement of Change in Net Assets Attributable to Shareholders

FOR THE SIX MONTH PERIOD ENDED 31 MARCH 2018 (UNAUDITED)

	31 Mar 2018 (£)	31 Mar 2018 (£)	31 Mar 2017 (£)	31 Mar 2017 (£)
Opening net assets attributable to shareholders		228,203,930		203,837,687
Amounts receivable on issue of shares	15,989,143		37,244,069	
Amounts payable on cancellation of shares	(37,597,230)		(34,159,913)	
		(21,608,087)		3,084,156
Dilution adjustment charged		82,588		137,377
Change in net assets attributable to shareholders from investment activities		(1,112,447)		(2,335,483)
Retained distribution on accumulation shares		944,194		997,434
Closing net assets attributable to shareholders		206,510,178		205,721,171

Comparatives are for the six months to 31 March 2017.

Balance Sheet

AS AT 31 MARCH 2018 (UNAUDITED)

	31 Mar 2018 (£)	31 Mar 2018 (£)	30 Sep 2017 (£)	30 Sep 2017 (£)
Assets				
Investment assets		204,487,395		224,073,508
Debtors	3,041,900		5,469,263	
Cash and bank balances	1,558,745		2,270,313	
Total other assets		4,600,645		7,739,576
Total assets		209,088,040		231,813,084
Liabilities				
Investment liabilities		458,216		123,062
Creditors	1,102,566		2,475,803	
Bank overdrafts	-		35	
Distribution payable on income shares	1,017,080		1,010,254	
Total other liabilities		2,119,646		3,486,092
Total liabilities		2,577,862		3,609,154
Net assets attributable to shareholders		206,510,178		228,203,930

The interim financial statements have been prepared in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Association in May 2014.

The accounting policies applied are consistent with those of the annual financial statement for the year ended 30 September 2017 and are described in those annual financial statements.

Sterling Corporate Bond Fund

Distribution Tables

FOR THE SIX MONTH PERIOD ENDED 31 MARCH 2018 (UNAUDITED)

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1 – shares purchased prior to 1 October 2017

Group 2 – shares purchased between 1 October 2017 and 31 March 2018

	Gross revenue (p)	Equalisation (p)	Distribution payable 31 May 2018 (p)	Distribution paid/accumulated 31 May 2017 (p)
Share Class A – Accumulation				
Group 1	24.4129	–	24.4129	24.4860
Group 2	10.2173	14.1956	24.4129	24.4860
Share Class A – Income				
Group 1	15.6887	–	15.6887	15.9291
Group 2	9.5379	6.1508	15.6887	15.9291
Share Class I – Accumulation				
Group 1	34.4373	–	34.4373	34.2575
Group 2	19.7573	14.6800	34.4373	34.2575
Share Class I – Income				
Group 1	20.6120	–	20.6120	20.7727
Group 2	10.7063	9.9057	20.6120	20.7727

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1 – shares purchased prior to 1 October 2017

Group 2 – shares purchased between 1 October 2017 and 31 October 2017

	Gross revenue (p)	Equalisation (p)	Distribution paid/accumulated 31 Dec 2017 (p)	Distribution paid/accumulated 31 Dec 2016 (p)
Share Class F – Accumulation				
Group 1	0.2907	–	0.2907	0.2285
Group 2	0.1266	0.1641	0.2907	0.2285
Share Class F – Income				
Group 1	0.2653	–	0.2653	0.2142
Group 2	0.0622	0.2031	0.2653	0.2142

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1 – shares purchased prior to 1 November 2017

Group 2 – shares purchased between 1 November 2017 and 30 November 2017

	Gross revenue (p)	Equalisation (p)	Distribution paid/accumulated 31 Jan 2018 (p)	Distribution paid/accumulated 31 Jan 2017 (p)
Share Class F – Accumulation				
Group 1	0.2848	–	0.2848	0.2092
Group 2	0.1475	0.1373	0.2848	0.2092
Share Class F – Income				
Group 1	0.2592	–	0.2592	0.1954
Group 2	0.1297	0.1295	0.2592	0.1954

Sterling Corporate Bond Fund

Distribution Tables (continued)

FOR THE PERIOD ENDED 31 MARCH 2018 (UNAUDITED)

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1 – shares purchased prior to 1 December 2017

Group 2 – shares purchased between 1 December 2017 and 31 December 2017

	Gross revenue (p)	Equalisation (p)	Distribution paid/accumulated 28 Feb 2018 (p)	Distribution paid/accumulated 28 Feb 2017 (p)
Share Class F – Accumulation				
Group 1	0.2737	–	0.2737	0.2152
Group 2	0.1260	0.1477	0.2737	0.2152
Share Class F – Income				
Group 1	0.2488	–	0.2488	0.2005
Group 2	0.1037	0.1451	0.2488	0.2005

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1 – shares purchased prior to 1 January 2018

Group 2 – shares purchased between 1 January 2018 and 31 January 2018

	Gross revenue (p)	Equalisation (p)	Distribution paid/accumulated 31 Mar 2018 (p)	Distribution paid/accumulated 31 Mar 2017 (p)
Share Class F – Accumulation				
Group 1	0.3078	–	0.3078	0.2374
Group 2	0.1420	0.1658	0.3078	0.2374
Share Class F – Income				
Group 1	0.2789	–	0.2789	0.2207
Group 2	0.1216	0.1573	0.2789	0.2207

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1 – shares purchased prior to 1 February 2018

Group 2 – shares purchased between 1 February 2018 and 28 February 2018

	Gross revenue (p)	Equalisation (p)	Distribution paid/accumulated 30 Apr 2018 (p)	Distribution paid/accumulated 30 Apr 2017 (p)
Share Class F – Accumulation				
Group 1	0.2663	–	0.2663	0.2529
Group 2	0.1379	0.1284	0.2663	0.2529
Share Class F – Income				
Group 1	0.2408	–	0.2408	0.2352
Group 2	0.1094	0.1314	0.2408	0.2352

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1 – shares purchased prior to 1 March 2018

Group 2 – shares purchased between 1 March 2018 and 31 March 2018

	Gross revenue (p)	Equalisation (p)	Distribution payable 31 May 2018 (p)	Distribution paid/accumulated 31 May 2017 (p)
Share Class F – Accumulation				
Group 1	0.2765	–	0.2765	0.3083
Group 2	0.1207	0.1558	0.2765	0.3083
Share Class F – Income				
Group 1	0.2493	–	0.2493	0.2855
Group 2	0.1152	0.1341	0.2493	0.2855

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

The annual and semi-annual report is available at our website www.morganstanleyfunds.co.uk 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 three 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 Share 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. Redemption for Class A below £500 can be refused on any share class. In addition, no partial redemption may be made which would reduce the value of shares held in Class A below £1,000 and Class I below £50,000.

SWITCHING

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

DISTRIBUTIONS

Income distributions of A, I and 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 on a daily basis. Charges for items such as administration, custody, and auditors fees are also deducted from each Fund.

Further information (continued)

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.

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