

Morgan Stanley
Funds (UK)



Annual Report

30 September 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 year ended 30 September 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 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 amended in June 2017 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 and amended in June 2017.

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)
18 December 2018

Report of the Depositary to the Shareholders of the Company

For the year ended 30 September 2018

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
18 December 2018

Independent Auditor's Report to the Members 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 2018 which comprise The Statement of Total Return and Statement of Changes in Net Assets Attributable to Shareholders together with the Balance Sheet, the accounting policies, the related notes for each of the Company's sub-funds and the Distribution Table, 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 comprising each of its sub-funds as at 30 September 2018 and of the net revenue/expense 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 Members 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 following matter in relation to which the Collective Investment Schemes Sourcebook of the Financial Conduct Authority rules requires us to report to you if, in our opinion:

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

RESPONSIBILITIES OF AUTHORISED CORPORATE DIRECTOR (ACD)

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

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

USE OF OUR REPORT

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

Ernst & Young LLP

Statutory Auditor
Edinburgh
18 December 2018

Global Brands Fund

Fund Review (continued)

Change in net assets per share (iii)	Share Class I – Accumulation		
	30 Sep 2018 (£)	30 Sep 2017 (£)	30 Sep 2016 (£)
Opening net asset value per share	76.06	68.04	51.26
Return before operating charges	15.61	8.69	17.33
Operating charges	(0.74)	(0.67)	(0.55)
Return after operating charges	14.87	8.02	16.78
Distributions	(0.83)	(0.85)	(0.85)
Retained distributions on accumulation shares	0.83	0.85	0.85
Closing net asset value per share	90.93	76.06	68.04
After direct transaction costs of:	0.05	0.08	0.05
Performance (i)			
Return after operating charges	19.55%	11.78%	32.74%
Other information			
Closing net asset value	838,221,645	812,389,975	708,134,425
Closing number of shares	9,218,089	10,680,895	10,407,287
Operating Charges (ii)	0.90%	0.90%	0.92%
Direct transaction costs	0.06%	0.10%	0.08%
Prices			
Highest share price	91.14	81.33	69.49
Lowest share price	75.06	66.27	51.98

Change in net assets per share (iii)	Share Class I – Income		
	30 Sep 2018 (£)	30 Sep 2017 (£)	30 Sep 2016 (£)
Opening net asset value per share	21.77	19.68	15.02
Return before operating charges	4.45	2.52	5.07
Operating charges	(0.21)	(0.19)	(0.16)
Return after operating charges	4.24	2.33	4.91
Distributions	(0.24)	(0.24)	(0.25)
Retained distributions on accumulation shares	–	–	–
Closing net asset value per share	25.77	21.77	19.68
After direct transaction costs of:	0.01	0.02	0.01
Performance (i)			
Return after operating charges	19.46%	11.82%	32.68%
Other information			
Closing net asset value	290,629,728	152,864,805	146,093,599
Closing number of shares	11,278,369	7,022,836	7,421,640
Operating Charges (ii)	0.90%	0.90%	0.92%
Direct transaction costs	0.06%	0.10%	0.08%
Prices			
Highest share price	26.02	23.44	20.28
Lowest share price	21.47	19.17	15.24

(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 year ending 30 September 2018, the Fund's I Accumulation class shares outperformed the benchmark, MSCI World (Net) Index, by 5.11%, returning 19.55% (i) (net of fees in sterling) versus 14.44% for the Index.

Over the year, stock selection had the greatest positive impact on performance, with the contribution from information technology and consumer discretionary outweighing the detraction from consumer staples. Sector allocation was also positive, with our beneficial overweight in information technology and underweight allocation to financials offsetting the negative impact of our overweight in consumer staples.

Top absolute contributors for the year were Microsoft (+383 basis points [bps]), Twenty-First Century Fox (+349 bps) and Visa (+209 bps). Top detractors were British American Tobacco (-191 bps), Philip Morris International (-111 bps) and Heineken (-17 bps).

MARKET REVIEW

The MSCI World (Net) Index gained 14.4% in sterling terms for the year. Most markets produced strong gains, particularly the USA (+20.6%) and Norway (+17.0%). Japan, Finland, Singapore, Australia and New Zealand underperformed in relative terms (+13.5% to +7.4%). The eurozone also underperformed in relative terms.

Information technology (+31.9%), consumer discretionary (+22.4%), energy (+17.9%) and health care (+17.5%) outperformed the Index. All other sectors failed to beat the Index, with telecoms (+1.0%), utilities (+3.9%), consumer staples (+4.8%) and financials (+4.8%) the least performing sectors.

PORTFOLIO ACTIVITY

During the year, we initiated positions in FactSet Research Systems (FactSet), Fidelity National Information Services (FIS), Heineken, Abbott Laboratories, Baxter International, Clorox, Church & Dwight and Becton Dickinson.

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.

Global Brands Fund

Fund Review (continued)

Baxter International is a leader in the dialysis and medical solutions business. This is a stable, predictable business with high barriers to entry given the complexity of the manufacturing process. The company is undergoing a strategic change focused on innovation, cost management and free cash flow generation, resulting in improving margins and returns on operating capital. Clorox and Church & Dwight are both rare cases of well-run and reasonably priced United States (U.S.) consumer staples companies, with strong market positions in the mid-sized niches where they operate. Brands include Glad and Burt's Bees at Clorox and Arm & Hammer and OxiClean at Church & Dwight.

Becton Dickinson is a medtech player. The core of the business is in needles and syringes, where the company is the clear leader with around 70% market share. This scale advantage, combined with the high demands around quality and guaranteed supply, helps support returns. We also significantly increased the holdings in Reckitt Benckiser, post management's decision not to acquire Pfizer's consumer health business.

During the year we completed our exit from Nestlé, sold our position in Time Warner, exited our position in Intuit due to valuation, and sold our position in International Flavors & Fragrances as the company undertook a major acquisition that we felt was not compelling and pushed leverage to levels we did not feel comfortable with.

Twenty-First Century Fox (Fox) received a bid by the Disney Corporation in December 2017. In June 2018 Comcast announced a competing bid for the company, which Disney then countered with another, higher bid on 20 June 2018. We held significant positions in both Fox and Disney at the time of Disney's first bid. In light of the size of the cumulative position post a merger of the two companies, we have been reducing our overall position in Fox/Disney since December. Based on the relative valuations of Fox and Disney, we implemented this reduction predominantly through the sale of Disney stock. By the end of the second quarter we had completely sold out of Disney.

Following deterioration in the U.S. market for combustibles due to the exponential growth of JUUL, a high nicotine e-cigarette, combined with intensifying regulatory pressures and a temporary slowdown in the progress of heat-not-burn, we reduced British American Tobacco from a top five position to a top 10 position. During the year we also reduced positions that had performed very strongly, notably Accenture, NIKE, L'Oréal and sold out of Campari.

STRATEGY & OUTLOOK

The International Equity team spent 2017 ensuring that environmental, social and governance (ESG) analysis was fully integrated into the investment process across all its strategies. This did not require any radical changes given the team's philosophy of investing for the long term and always being mindful of risks to companies' returns, but it did involve formalising the process around ESG risks and opportunities, and in particular the environmental and social factors. The basis of the ESG analysis is to support returns, and thus compounding, rather than any moral stance.

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 (unaudited)

AS AT 30 SEPTEMBER 2018

	Holdings	Investments	Market Value (£)	% of Net Asset Value 30 Sep 2018	% of Net Asset Value 30 Sep 2017
France – 6.55%	197,024	L'Oreal	36,412,033	3.21	
	301,032	Pernod Ricard	37,775,354	3.34	
			74,187,387	6.55	8.43
Germany – 4.55%	542,595	SAP	51,463,670	4.55	4.85
Ireland – 4.61%	400,602	Accenture	52,237,051	4.61	7.37
Italy – 1.05%	1,824,533	Davide Campari-Milano	11,909,479	1.05	1.66
Netherlands – 3.62%	381,422	Heineken	27,654,286	2.44	
	831,255	RELX (Netherlands Listing)	13,284,335	1.18	
			40,938,621	3.62	1.21
Switzerland – 0.00%			–	–	1.11
United Kingdom – 22.92%	1,255,640	British American Tobacco	45,435,333	4.01	
	1,296,907	Experian	25,607,429	2.26	
	1,481,939	Reckitt Benckiser	103,365,245	9.13	
	1,694,368	RELX (London Listing)	27,101,416	2.40	
	1,375,827	Unilever	57,997,987	5.12	
			259,507,410	22.92	28.85
United States – 54.96%	631,727	Abbott Laboratories	35,391,421	3.13	
	510,958	Altria	23,810,216	2.10	
	336,997	Automatic Data Processing	38,738,744	3.42	
	540,377	Baxter International	31,740,556	2.80	
	57,934	Becton Dickinson	11,549,478	1.02	
	266,620	Church & Dwight	12,039,908	1.06	
	106,945	Clorox	12,241,962	1.08	
	1,168,902	Coca-Cola	41,249,018	3.64	
	440,252	Danaher	36,520,542	3.23	
	91,781	FactSet Research Systems	15,783,143	1.39	
	282,567	Fidelity National Information Services	23,567,823	2.08	
	968,228	Microsoft	84,958,422	7.50	
	106,908	Moody's	14,219,962	1.26	
	354,486	NIKE	22,980,011	2.03	
	768,983	Philip Morris International	48,069,523	4.25	
	1,111,986	Twenty-First Century Fox 'A' Shares	39,078,516	3.45	
	913,436	Twenty-First Century Fox 'B' Shares	31,862,728	2.82	
	491,498	Visa	56,548,060	5.00	
	598,335	Zoetis	41,838,925	3.70	
			622,188,958	54.96	43.97
		Portfolio of investments	1,112,432,576	98.26	97.45
		Net other assets	19,720,796	1.74	2.55
		Net assets	1,132,153,372	100.00	100.00

All holdings are ordinary shares unless otherwise stated.

Global Brands Fund

Statement of Total Return

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	30 Sep 2018 (£)	30 Sep 2018 (£)	30 Sep 2017 (£)	30 Sep 2017 (£)
Income					
Net capital gains	4		170,513,676		89,484,403
Revenue	5	21,350,752		19,372,537	
Expenses	6	(9,198,234)		(8,046,883)	
Interest payable and similar charges		(2,587)		(720)	
Net revenue before taxation		12,149,931		11,324,934	
Taxation	7	(1,877,019)		(1,307,839)	
Net revenue after taxation			10,272,912		10,017,095
Total return before distributions			180,786,588		99,501,498
Distributions	8		(10,272,912)		(10,017,093)
Change in net assets attributable to shareholders from investment activities			170,513,676		89,484,405

Statement of Change in Net Assets Attributable to Shareholders

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	30 Sep 2018 (£)	30 Sep 2018 (£)	30 Sep 2017 (£)	30 Sep 2017 (£)
Opening net assets attributable to shareholders		969,778,091		859,622,810
Amounts receivable on issue of shares	276,371,301		140,082,313	
Amounts payable on cancellation of shares	(292,593,017)		(128,338,889)	
		(16,221,716)		11,743,424
Dilution adjustment charged		123,693		97,803
Change in net assets attributable to shareholders from investment activities		170,513,676		89,484,405
Retained distribution on accumulation shares		7,959,628		8,829,649
Closing net assets attributable to shareholders		1,132,153,372		969,778,091

Balance Sheet

AS AT 30 SEPTEMBER 2018

	Notes	30 Sep 2018 (£)	30 Sep 2018 (£)	30 Sep 2017 (£)	30 Sep 2017 (£)
Assets					
Investment assets			1,112,432,576		945,091,256
Debtors	9	2,688,276		8,528,880	
Cash and bank balances	10	21,779,691		20,178,393	
Total other assets			24,467,967		28,707,273
Total assets			1,136,900,543		973,798,529
Liabilities					
Creditors	11	2,638,131		2,869,706	
Distribution payable on income shares		2,109,040		1,150,732	
Total liabilities			4,747,171		4,020,438
Net assets attributable to shareholders			1,132,153,372		969,778,091

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 2018

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 and amended in June 2017 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 note 7.

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, 28 September 2018. 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 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 2018

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 and other investment techniques.

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 2018, 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 £55,621,629 (2017: £47,254,563).

(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 2018, 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 £8,555,652 (2017: £6,874,327).

The Fund's currency exposure as at 30 September 2018 was:

Currency	Net foreign currency assets		Total £
	Monetary Exposure £	Non- Monetary Exposure £	
Euro	537,391	178,499,157	179,036,548
US Dollar	2,102,639	674,426,009	676,528,648
Total	2,640,030	852,925,166	855,565,196

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

Currency	Net foreign currency assets		Total £
	Monetary Exposure £	Non- Monetary Exposure £	
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

(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 2018

The interest rate risk profile of the Fund's financial assets and liabilities at 30 September 2018 was:

Currency	Floating Rate financial assets £	Financial assets not carrying interest £	Total £
2018			
Euro	-	179,036,548	179,036,548
Pound Sterling	21,358,312	259,977,035	281,335,347
US Dollar	421,379	676,107,269	676,528,648
Total	21,779,691	1,115,120,852	1,136,900,543
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

Currency	Floating Rate financial liabilities £	Financial liabilities not carrying interest £	Total £
2018			
Pound Sterling	-	4,747,171	4,747,171
Total	-	4,747,171	4,747,171
2017			
Pound Sterling	-	4,020,438	4,020,438
Total	-	4,020,438	4,020,438

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 2018 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 Investment Manager will be able to successfully hedge the Fund.

There were no derivatives held at the accounting year end (2017: no derivatives held).

4. NET CAPITAL GAINS

	30 Sep 18 (£)	30 Sep 17 (£)
Gains on non-derivative securities	170,485,649	89,820,955
Currency gains/(losses)	42,880	(315,979)
Transaction charges	(15,329)	(21,296)
ACD's reimbursement to capital	476	723
Net capital gains	170,513,676	89,484,403

Global Brands Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

5. REVENUE

	30 Sep 18 (£)	30 Sep 17 (£)
Overseas dividends	13,464,075	12,854,336
UK dividends	7,882,008	6,515,615
Bank interest	4,669	2,586
Total revenue	21,350,752	19,372,537

6. EXPENSES

	30 Sep 18 (£)	30 Sep 17 (£)
Payable to the ACD, associates of the ACD and agents of either of them:		
Management charge	7,680,105	6,725,066
Administration charge	1,530,369	1,337,766
Less ACD reimbursement to revenue	(360,865)	(335,802)
	8,849,609	7,727,030
Other expenses:		
Financial Conduct Authority fee	480	480
Audit fee*	9,297	9,710
Depositary's fees	189,766	165,949
Safe custody fees	119,287	104,362
Professional fees	19,165	29,649
Printing & production costs	10,630	9,703
	348,625	319,853
Total expenses	9,198,234	8,046,883

* The audit fee for the year, excluding VAT, was £7,875 (2017: £7,850).

7. TAXATION

(a) Analysis of charge in the year:

	30 Sep 18 (£)	30 Sep 17 (£)
Overseas tax	1,877,019	1,307,839
Total taxation	1,877,019	1,307,839

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

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

The differences are explained below:

	30 Sep 18 (£)	30 Sep 17 (£)
Net revenue before taxation	12,149,931	11,324,934
Corporation tax of 20% (2017: 20%)	2,429,986	2,264,987
Effects of:		
Revenue not subject to corporation tax	(4,269,079)	(3,873,820)
Movement in excess expenses	1,839,093	1,608,888
Overseas tax	1,877,019	1,307,839
Prior year adjustments – movement in excess expenses	–	(55)
Total tax for the year	1,877,019	1,307,839

(c) Provision for deferred tax

At 30 September 2018 the Fund had surplus operating expenses of £50,332,261 (2017: £41,136,797). 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 £10,066,452 (2017: £8,227,359) 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 18 (£)	30 Sep 17 (£)
Interim	2,210,039	3,314,066
Final	8,149,477	7,236,975
Add: Amounts deducted on cancellation of shares	488,007	271,802
Less: Amounts received on issue of shares	(574,611)	(805,750)
Net distribution for the year	10,272,912	10,017,093

Distributions are represented by:

	30 Sep 18 (£)	30 Sep 17 (£)
Net revenue after taxation	10,272,912	10,017,095
Movement on revenue account	–	(2)
Net distribution for the year	10,272,912	10,017,093

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

9. DEBTORS

	30 Sep 18 (£)	30 Sep 17 (£)
Accrued revenue	1,681,261	1,393,218
Amounts receivable for issue of shares	343,690	5,267,037
Overseas tax recoverable	537,390	1,718,854
Reimbursement of expenses receivable from ACD	125,935	149,771
	2,688,276	8,528,880

Global Brands Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

10. CASH AND BANK BALANCES

	30 Sep 18 (£)	30 Sep 17 (£)
Cash and bank balances	21,779,691	20,178,393
	21,779,691	20,178,393

11. CREDITORS

	30 Sep 18 (£)	30 Sep 17 (£)
Accrued expenses	573,031	571,730
Amounts payable to ACD	2,047,255	2,263,529
Amount payable for cancellation of shares	17,845	34,447
	2,638,131	2,869,706

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 and note 8. 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 at the year end date. (2017: no material shareholders).

13. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Fund had no contingent liabilities or capital commitments at the year end date (2017: £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 and 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 18 (£)	30 Sep 17 (£)	30 Sep 18 (£)	30 Sep 17 (£)
Equities	416,410,655	368,943,471	420,204,250	337,276,301
Trades in the year before transaction costs	416,410,655	368,943,471	420,204,250	337,276,301
Commissions				
Equities	93,110	178,438	(85,549)	(205,149)
Total Commissions	93,110	178,438	(85,549)	(205,149)
Taxes				
Equities	464,933	535,081	(5,674)	(4,027)
Total Taxes	464,933	535,081	(5,674)	(4,027)
Total costs	558,043	713,519	(91,223)	(209,176)
Total net trades in the year after transaction costs	416,968,698	369,656,990	420,113,027	337,067,125

In the case of shares, commissions and taxes are paid by the sub-fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the average dealing spread was 0.02% (2017: 0.02%).

Total transaction cost expressed as a percentage of asset class:

For the year ending	Purchases		Sales	
	30 Sep 18 %	30 Sep 17 %	30 Sep 18 %	30 Sep 17 %
Commissions				
Equities	0.022	0.048	(0.020)	(0.061)
Taxes				
Equities	0.112	0.145	(0.001)	(0.001)

Total transaction cost expressed as a percentage of average NAV:

For the year ending	30 Sep 18 %	30 Sep 17 %
Commissions	0.017	0.043
Taxes	0.046	0.060
Total	0.063	0.103

Global Brands Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

16. SHARE RECONCILIATION

Reconciliation of the share movements in the year ended 30 Sep 2018

	A Accumulation	A Income	I Accumulation	I Income
Opening shares in issue	64,290	6,806	10,680,895	7,022,836
Creations during the year	–	4	1,086,109	8,100,959
Cancellations during the year	(25,386)	(460)	(2,548,915)	(3,845,426)
Closing shares in issue	38,904	6,350	9,218,089	11,278,369

17. FAIR VALUE HIERARCHY

Valuation technique	Assets 30 Sep 18 (£)	Liabilities 30 Sep 18 (£)	Assets 30 Sep 17 (£)	Liabilities 30 Sep 17 (£)
Quoted prices for identical instruments in active markets [^]	1,112,432,576	–	945,091,256	–
Valuation techniques using observable market data ^{^^}	–	–	–	–
Valuation techniques using non-observable data ^{^^^}	–	–	–	–
	1,112,432,576	–	945,091,256	–

[^] 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 EVENTS

There are no significant post balance sheet events.

Global Brands Fund

Distribution Tables

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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 paid/accumulated 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

FINAL DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 April 2018

Group 2: shares purchased between 1 April 2018 and 30 September 2018

	Revenue (p)	Equalisation (p)	Distribution paid/accumulated 30 Nov 2018 (p)	Distribution paid/accumulated 30 Nov 2017 (p)
Share Class A – Accumulation				
Group 1	19.2851	–	19.2851	24.8563
Group 2	19.2851	0.0000	19.2851	24.8563
Share Class A – Income				
Group 1	5.7975	–	5.7975	7.5065
Group 2	5.7975	0.0000	5.7975	7.5065
Share Class I – Accumulation				
Group 1	65.4467	–	65.4467	56.8329
Group 2	16.8641	48.5826	65.4467	56.8329
Share Class I – Income				
Group 1	18.6966	–	18.6966	16.3783
Group 2	15.0203	3.6763	18.6966	16.3783

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

Fund Review (continued)

Change in net assets per share (iii)	Share Class I – Income		
	30 Sep 2018 (£)	30 Sep 2017 (£)	30 Sep 2016 (£)
Opening net asset value per share	10.59	10.06	9.97
Return before operating charges	1.70	1.08	0.21
Operating charges	(0.11)	(0.11)	(0.09)
Return after operating charges	1.59	0.97	0.12
Distributions	(0.44)	(0.44)	(0.03)
Retained distributions on accumulation shares	–	–	–
Closing net asset value per share	11.74	10.59	10.06
After direct transaction costs of:	0.01	0.01	0.02
Performance (i)			
Return after operating charges	15.05%	9.63%	1.24%
Other information			
Closing net asset value	2,070,421	1,857,722	1,760,668
Closing number of shares	176,383	175,476	175,000
Operating Charges (ii)	1.00%	1.00%	1.00%
Direct transaction costs	0.06%	0.10%	0.22%
Prices			
Highest share price	11.90	11.56	10.16
Lowest share price	10.02	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 year ending 30 September 2018, the Fund's I Accumulation class shares outperformed the benchmark, MSCI World (Net) Index, by 0.93%, returning 15.37% (i) (net of fees in sterling) versus 14.44% for the Index.

Over the year, stock selection had the greatest positive impact on performance, with the contribution from information technology and consumer discretionary outweighing the detraction from consumer staples. Sector allocation was also positive, with our beneficial overweight in information technology and underweight allocation to financials offsetting the negative impact of our overweight in consumer staples. The overwrite (sale of index call options) detracted from performance by 373 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 3.97% over the previous four quarters (as of 30 June 2018).

Top absolute contributors for the year were Microsoft (+377 bps), Twenty-First Century Fox (+349 bps) and Visa (+206 bps). Top detractors were British American Tobacco (-188 bps), Philip Morris International (-112 bps) and Heineken (-18 bps).

MARKET REVIEW

The MSCI World (Net) Index gained 14.4% in sterling terms for the year. Most markets produced strong gains, particularly the USA (+20.6%) and Norway (+17.0%). Japan, Finland, Singapore, Australia and New Zealand underperformed in relative terms (+13.5% to +7.4%). The eurozone also underperformed in relative terms.

Information technology (+31.9%), consumer discretionary (+22.4%), energy (+17.9%) and health care (+17.5%) outperformed the Index. All other sectors failed to beat the Index, with telecoms (+1.0%), utilities (+3.9%), consumer staples (+4.8%) and financials (+4.8%) the least performing sectors.

PORTFOLIO ACTIVITY

During the year, we initiated positions in FactSet Research Systems (FactSet), Fidelity National Information Services (FIS), Heineken, Abbott Laboratories, Baxter International, Clorox, Church & Dwight and Becton Dickinson.

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.

Baxter International is a leader in the dialysis and medical solutions business. This is a stable, predictable business with high barriers to entry given the complexity of the manufacturing process. The company is undergoing a strategic change focused on innovation, cost management and free cash flow generation, resulting in improving margins and returns on operating capital. Clorox and Church & Dwight are both rare cases of well-run and reasonably priced United States (U.S.) consumer staples companies, with strong market positions in the mid-sized niches where they operate. Brands include Glad and Burt's Bees at Clorox and Arm & Hammer and OxiClean at Church & Dwight.

Global Brands Equity Income Fund

Fund Review (continued)

Becton Dickinson is a medtech player. The core of the business is in needles and syringes, where the company is the clear leader with around 70% market share. This scale advantage, combined with the high demands around quality and guaranteed supply, helps support returns. We also significantly increased the holdings in Reckitt Benckiser, post management's decision not to acquire Pfizer's consumer health business.

During the year we completed our exit from Nestlé, sold our position in Time Warner, exited our position in Intuit due to valuation, and sold our position in International Flavors & Fragrances as the company undertook a major acquisition that we felt was not compelling and pushed leverage to levels we did not feel comfortable with.

Twenty-First Century Fox (Fox) received a bid by the Disney Corporation in December 2017. In June 2018 Comcast announced a competing bid for the company, which Disney then countered with another, higher bid on 20 June 2018. We held significant positions in both Fox and Disney at the time of Disney's first bid. In light of the size of the cumulative position post a merger of the two companies, we have been reducing our overall position in Fox/Disney since December. Based on the relative valuations of Fox and Disney, we implemented this reduction predominantly through the sale of Disney stock. By the end of the second quarter we had completely sold out of Disney.

Following deterioration in the U.S. market for combustibles due to the exponential growth of JUUL, a high nicotine e-cigarette, combined with intensifying regulatory pressures and a temporary slowdown in the progress of heat-not-burn, we reduced British American Tobacco from a top five position to a top 10 position. During the year we also reduced positions that had performed very strongly, notably Accenture, NIKE, L'Oréal and sold out of Campari.

STRATEGY & OUTLOOK

The International Equity team spent 2017 ensuring that environmental, social and governance (ESG) analysis was fully integrated into the investment process across all its strategies. This did not require any radical changes given the team's philosophy of investing for the long term and always being mindful of risks to companies' returns, but it did involve formalising the process around ESG risks and opportunities, and in particular the environmental and social factors. The basis of the ESG analysis is to support returns, and thus compounding, rather than any moral stance.

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 (unaudited)

AS AT 30 SEPTEMBER 2018

	Holdings	Investments	Market Value (£)	% of Net Asset Value 30 Sep 2018	% of Net Asset Value 30 Sep 2017
France – 6.57%	932	L'Oreal	172,243	3.25	
	1,406	Pernod Ricard	176,434	3.32	
			348,677	6.57	8.56
Germany – 4.59%	2,564	SAP	243,189	4.59	
			243,189	4.59	4.92
Ireland – 4.69%	1,908	Accenture	248,796	4.69	
			248,796	4.69	7.47
Italy – 1.07%	8,674	Davide Campari-Milano	56,619	1.07	
			56,619	1.07	1.69
Netherlands – 3.61%	1,779	Heineken	128,983	2.43	
	3,910	RELX (Netherlands Listing)	62,486	1.18	
			191,469	3.61	1.23
Switzerland – 0.00%			-	-	1.12
United Kingdom – 23.10%	5,873	British American Tobacco	212,515	4.01	
	6,170	Experian	121,827	2.30	
	7,046	Reckitt Benckiser	491,458	9.26	
	7,970	RELX (London Listing)	127,480	2.40	
	6,454	Unilever	272,068	5.13	
			1,225,348	23.10	29.29
United States – 55.12%	2,971	Abbott Laboratories	166,445	3.14	
	2,392	Altria	111,465	2.10	
	1,572	Automatic Data Processing	180,706	3.41	
	2,550	Baxter International	149,781	2.82	
	272	Becton Dickinson	54,225	1.02	
	1,254	Church & Dwight	56,628	1.07	
	503	Clorox	57,578	1.09	
	5,450	Coca-Cola	192,323	3.63	
	2,081	Danaher	172,627	3.25	
	429	FactSet Research Systems	73,773	1.39	
	1,322	Fidelity National Information Services	110,263	2.08	
	4,549	Microsoft	399,158	7.53	
	510	Moody's	67,836	1.28	
	1,654	NIKE	107,223	2.02	
	3,609	Philip Morris International	225,601	4.25	
	5,219	Twenty-First Century Fox 'A' Shares	183,411	3.46	
	4,372	Twenty-First Century Fox 'B' Shares	152,505	2.88	
	2,307	Visa	265,426	5.00	
	2,808	Zoetis	196,351	3.70	
			2,923,325	55.12	44.82
Swaps Contracts – (0.11)%	3,437,706	Morgan Stanley International Total Return Swap Pay 0.5% 03/05/2019	(1,367)	(0.03)	
	3,054,243	Morgan Stanley International Total Return Swap Pay 2% 03/05/2019	(5,185)	(0.09)	
	3,400,649	Morgan Stanley International Total Return Swap Rec 0.5% 31/05/2019	2,186	0.04	
	2,987,978	Morgan Stanley International Total Return Swap Pay 2% 31/05/2019	(1,555)	(0.03)	
			(5,921)	(0.11)	(0.11)
		Portfolio of investments	5,231,502	98.64	98.99
		Net other assets	72,261	1.36	1.01
		Net assets	5,303,763	100.00	100.00

All holdings are ordinary shares unless otherwise stated.

Global Brands Equity Income Fund

Portfolio Statement (unaudited) (continued)

AS AT 30 SEPTEMBER 2018

Financial derivative instrument risk exposure

The exposure obtained through financial derivative instruments and identity of counterparties as at 30 September 2018 was as follows:

Swap Contracts

Counterparty	Notional value (£)	Value of exposure (£)
Morgan Stanley	12,880,576	5,921
Total	12,880,576	5,921

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

Global Brands Equity Income Fund

Securities Financing Transactions (unaudited)

AS AT 30 SEPTEMBER 2018

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 2018 as detailed below:

1) Global Data

Assets engaged in Total Return Swaps	GBP	%
Total Net Assets	5,303,763	
Unrealised Gain and Loss in Fund Currency (in absolute value):		
Total return swaps	10,293	
% of Total Net Asset Value		0.19%

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	10,293

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	-	-	-	-	10,293	-	-	10,293
	-	-	-	-	10,293	-	-	10,293

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	114,101
Net realised gain/(loss) on total return swap contracts	(277,099)
Net change in unrealised appreciation/(depreciation) on total return swap contracts	(626)
	(163,624)
Cost	
Interest paid on total return swap transactions	-
	-
Net Return	(163,624)

Global Brands Equity Income Fund

Statement of Total Return

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	30 Sep 2018 (£)	30 Sep 2018 (£)	30 Sep 2017 (£)	30 Sep 2017 (£)
Income					
Net capital gains	4		535,130		199,117
Revenue	5	214,592		184,679	
Expenses	6	(36,103)		(31,833)	
Net revenue before taxation		178,489		152,846	
Taxation	7	(22,143)		(22,549)	
Net revenue after taxation			156,346		130,297
Total return before distributions			691,476		329,414
Distributions	8		(192,449)		(158,075)
Change in net assets attributable to shareholders from investment activities			499,027		171,339

Statement of Change in Net Assets Attributable to Shareholders

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	30 Sep 2018 (£)	30 Sep 2018 (£)	30 Sep 2017 (£)	30 Sep 2017 (£)
Opening net assets attributable to shareholders		4,295,913		3,526,409
Amounts receivable on issue of shares	689,204		526,898	
Amounts payable on cancellation of shares	(266,217)		(7,950)	
		422,987		518,948
Change in net assets attributable to shareholders from investment activities		499,027		171,339
Retained distribution on accumulation shares		85,836		79,217
Closing net assets attributable to shareholders		5,303,763		4,295,913

Balance Sheet

AS AT 30 SEPTEMBER 2018

	Notes	30 Sep 2018 (£)	30 Sep 2018 (£)	30 Sep 2017 (£)	30 Sep 2017 (£)
Assets					
Investment assets			5,239,609		4,257,735
Debtors	9	48,167		29,137	
Cash and bank balances	10	114,573		91,744	
Total other assets			162,740		120,881
Total assets			5,402,349		4,378,616
Liabilities					
Investment liabilities			8,107		5,335
Creditors	11	63,462		58,535	
Distribution payable on income shares		27,017		18,833	
Total liabilities			98,586		82,703
Net assets attributable to shareholders			5,303,763		4,295,913

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 2018

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 and amended in June 2017 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 note 7.

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 year, 28 September 2018. 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 as part of the return for the accounting year.

(g) Treatment of derivatives

In determining the accounting treatment for derivatives, consideration is given to the instrument itself and Funds' objectives for investment in derivative instruments. Where positions are held to protect capital, the returns are treated as capital. Where positions are to generate revenue, the returns are treated as revenue. Where positions generate total returns, these returns are apportioned between capital and revenue to properly reflect the nature of the transaction.

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, subject to any of the Annual Management charge or other expense which may currently be transferred to capital for the purpose of calculating the distribution.

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.

Global Brands Equity Income Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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 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 2018, 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 £261,575 (2017: £212,620).

(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 2018, 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 £40,182 (2017: £30,874).

The Fund's currency exposure as at 30 September 2018 was:

Currency	Net foreign currency assets		Total £
	Monetary Exposure £	Non- Monetary Exposure £	
Euro	1,395	839,954	841,349
Swiss Franc	5	-	5
US Dollar	10,616	3,166,200	3,176,816
Total	12,016	4,006,154	4,018,170

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

(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 Equity Income Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

The interest rate risk profile of the Fund's financial assets and liabilities at 30 September 2018 was:

Currency	Floating Rate financial assets £	Financial assets not carrying interest £	Total £
2018			
Euro	–	841,349	841,349
Pound Sterling	112,575	1,263,497	1,376,072
Swiss Franc	5	–	5
US Dollar	1,993	3,182,930	3,184,923
Total	114,573	5,287,776	5,402,349
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
Currency	Floating Rate financial liabilities £	Financial liabilities not carrying interest £	Total £
2018			
Pound Sterling	–	90,479	90,479
US Dollar	–	8,107	8,107
Total	–	98,586	98,586
2017			
Pound Sterling	–	77,368	77,368
US Dollar	–	5,335	5,335
Total	–	82,703	82,703

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 2018 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 Investment Manager will be able to successfully hedge the Fund.

Value at Risk

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

The maximum VaR is 20%. The table below provides the lowest, highest and average percentage of utilization of the VaR limit calculated for the year ended 30 September 2018.

	2018	2017
Lowest	30.54%	33.75%
Highest	37.61%	44.55%
Average	33.81%	38.20%

Global Brands Equity Income Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

Leverage

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

	2018	2017
Average Gross Leverage	193%	195%

4. NET CAPITAL GAINS

	30 Sep 18 (£)	30 Sep 17 (£)
Gains on non-derivative securities	820,616	363,218
Losses on derivative contracts	(277,725)	(156,508)
Currency gains/(losses)	1,075	(1,059)
Transaction charges	(22,739)	(17,176)
ACD's reimbursement to capital	13,903	10,642
Net capital gains	535,130	199,117

5. REVENUE

	30 Sep 18 (£)	30 Sep 17 (£)
Overseas dividends	63,723	55,647
UK dividends	36,590	28,238
Swap income	114,101	100,790
Bank interest	10	4
HMRC Interest	168	-
Total revenue	214,592	184,679

6. EXPENSES

	30 Sep 18 (£)	30 Sep 17 (£)
Payable to the ACD, associates of the ACD and agents of either of them:		
Management charge	37,807	32,428
Administration charge	11,863	9,573
Less ACD reimbursement to revenue	(56,952)	(53,105)
	(7,282)	(11,104)
Other expenses:		
Financial Conduct Authority fee	480	481
Audit fee**	9,297	9,422
Depository's fees	1,554	(59)*
Safe custody fees	567	(6,450)*
Printing & production costs	10,755	9,430
Professional fees	20,732	30,113
	43,385	42,937
Total expenses	36,103	31,833

* Due to overaccrual within prior year.

** The audit fee for the year, excluding VAT, was £7,875 (2017: £7,850).

7. TAXATION

(a) Analysis of charge in the year:

	30 Sep 18 (£)	30 Sep 17 (£)
Corporation tax	15,618	16,104
Overseas tax	6,525	6,445
Total taxation	22,143	22,549

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

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

The differences are explained below:

	30 Sep 18 (£)	30 Sep 17 (£)
Net revenue before taxation	178,489	152,846
Corporation tax of 20% (2017: 20%)	35,698	30,569
Effects of:		
Revenue not subject to corporation tax	(20,080)	(16,777)
Overseas tax	6,525	6,445
Expenses not deductible for tax purposes	-	2,312
Total tax for the year	22,143	22,549

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 18 (£)	30 Sep 17 (£)
First interim	42,916	38,252
Second Interim	38,033	41,459
Third interim	62,491	41,822
Final	49,886	36,871
Add: Amounts deducted on cancellation of shares	1,474	71
Less: Amounts received on issue of shares	(2,351)	(400)
Net distribution for the year	192,449	158,075

Distributions are represented by:

	30 Sep 18 (£)	30 Sep 17 (£)
Net revenue after taxation	156,346	130,297
Tax relief on expenses offset against capital	-	(4,055)
Expenses taken to capital	36,103	31,833
Net distribution for the year	192,449	158,075

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

Global Brands Equity Income Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

9. DEBTORS

	30 Sep 18 (£)	30 Sep 17 (£)
Accrued revenue	7,942	6,558
Amounts receivable for issue of shares	10,500	–
Overseas tax recoverable	2,076	2,067
Reimbursement of expenses receivable from ACD	27,649	20,512
	48,167	29,137

10. CASH AND BANK BALANCES

	30 Sep 18 (£)	30 Sep 17 (£)
Cash and bank balances	114,573	91,744
	114,573	91,744

11. CREDITORS

	30 Sep 18 (£)	30 Sep 17 (£)
Accrued expenses	37,630	31,092
Amounts payable to ACD	10,214	11,339
Corporation tax payable	15,618	16,104
	63,462	58,535

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 and note 8. 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 81% of the Fund at the year end date and was deemed to be a related

party (2017: One investor (Morgan Stanley Seed Holdings, Ltd) held 88% of the Fund at the year 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 (2017: £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 Table on pages 20 and 21. The distribution per share class is given in the Distribution Tables on pages 33 and 34.

15. PORTFOLIO TRANSACTION COSTS

Analysis of total trade costs.

For the year ending	Purchases		Sales	
	30 Sep 18 %	30 Sep 17 %	30 Sep 18 %	30 Sep 17 %
Equities	1,874,470	1,682,438	1,718,063	1,172,808
Trades in the year before transaction costs	1,874,470	1,682,438	1,718,063	1,172,808
Commissions				
Equities	429	854	(367)	(756)
Total Commissions	429	854	(367)	(756)
Taxes				
Equities	2,060	2,409	(26)	(16)
Total Taxes	2,060	2,409	(26)	(16)
Total costs	2,489	3,263	(393)	(772)
Total net trades in the year after transaction costs	1,876,959	1,685,701	1,717,670	1,172,036

In the case of shares, commissions and taxes are paid by the sub-fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the average dealing spread was 0.02% (2017: 0.02%).

Global Brands Equity Income Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

Total transaction cost expressed as a percentage of asset class:

For the year ending	Purchases		Sales	
	30 Sep 18 %	30 Sep 17 %	30 Sep 18 %	30 Sep 17 %
Commissions				
Equities	0.023	0.051	(0.021)	(0.064)
Taxes				
Equities	0.110	0.143	(0.001)	(0.001)

Total transaction cost expressed as a percentage of average NAV:

For the year ending	30 Sep 18 %	30 Sep 17 %
Commissions	0.017	0.038
Taxes	0.044	0.058
Total	0.061	0.096

16. SHARE RECONCILIATION

Reconciliation of the share movements in the year ended 30 Sep 2018

	F Income	I Accumulation	I Income
Opening shares in issue	50,695	175,926	175,476
Creations during the year	32,062	27,478	2,838
Cancellations during the year	(9,157)	(12,360)	(1,931)
Closing shares in issue	73,600	191,044	176,383

17. FAIR VALUE HIERARCHY

Valuation technique	Assets	Liabilities	Assets	Liabilities
	30 Sep 18 (£)	30 Sep 18 (£)	30 Sep 17 (£)	30 Sep 17 (£)
Quoted prices for identical instruments in active markets [^]	5,237,423	-	4,257,517	-
Valuation techniques using observable market data ^{^^}	2,186	(8,107)	218	(5,335)
Valuation techniques using non-observable data ^{^^^}	-	-	-	-
	5,239,609	(8,107)	4,257,735	(5,335)

[^] 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 EVENTS

There are no significant post balance sheet events.

Global Brands Equity Income Fund

Distribution Tables

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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 paid/accumulated 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

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 April 2018

Group 2: shares purchased between 1 April 2018 and 30 June 2018

	Revenue (p)	Equalisation (p)	Distribution paid/accumulated 31 Aug 2018 (p)	Distribution paid/accumulated 31 Aug 2017 (p)
Share Class F – Income*				
Group 1	12.8060	–	12.8060	N/A
Group 2	7.5883	5.2177	12.8060	N/A
Share Class I – Accumulation				
Group 1	15.3451	–	15.3451	12.0612
Group 2	5.1424	10.2027	15.3451	12.0612
Share Class I – Income				
Group 1	14.4478	–	14.4478	11.7436
Group 2	5.5072	8.9406	14.4478	11.7436

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

Global Brands Equity Income Fund

Distribution Tables (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

FINAL DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 July 2018

Group 2: shares purchased between 1 July 2018 and 30 September 2018

	Revenue (p)	Equalisation (p)	Distribution paid/accumulated 30 Nov 2018 (p)	Distribution paid/accumulated 30 Nov 2017 (p)
Share Class F – Income				
Group 1	10.0595	–	10.0595	2.9810
Group 2	4.3063	5.7532	10.0595	2.9810
Share Class I – Accumulation				
Group 1	11.9703	–	11.9703	10.2534
Group 2	6.7199	5.2504	11.9703	10.2534
Share Class I – Income				
Group 1	11.1198	–	11.1198	9.8713
Group 2	3.5557	7.5641	11.1198	9.8713

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 2018

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
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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 and Shenzhen-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.

COMPARATIVE TABLES AS AT 30 SEPTEMBER 2018

	Share Class – F Accumulation	
	30 Sep 2018	30 Sep 2017
	(£)	(£)
Change in net assets per share (iii)		
Opening net asset value per share	10.79	10.00
Return before operating charges	3.68	0.84
Operating charges	(0.07)	(0.05)
Return after operating charges	3.61	0.79
Distributions	(0.01)	–
Retained distributions on accumulation shares	0.01	–
Closing net asset value per share	14.40	10.79
After direct transaction costs of:	0.01	0.01
Performance (i)		
Return after operating charges	33.46%	7.88%

Other information		
Closing net asset value	385,349,382	24,469,964
Closing number of shares	26,764,882	2,268,320
Operating charges (ii)	0.55%	0.55%
Direct transaction costs	0.09%	0.10%

Prices		
Highest share price	14.55	11.23
Lowest share price	10.90	9.52

	Share Class – I Accumulation		
	30 Sep 2018	30 Sep 2017	30 Sep 2016
	(£)	(£)	(£)
Change in net assets per share (iii)			
Opening net asset value per share	11.67	10.36	10.00
Return before operating charges	3.97	1.41	0.46
Operating charges	(0.12)	(0.10)	(0.10)
Return after operating charges	3.85	1.31	0.36
Distributions	–	–	–
Retained distributions on accumulation shares	–	–	–
Closing net asset value per share	15.52	11.67	10.36
After direct transaction costs of:	0.01	0.01	0.00
Performance (i)			
Return after operating charges	32.99%	12.60%	3.61%

Other information			
Closing net asset value	10,010,785	4,080,358	3,626,274
Closing number of shares	644,896	349,768	350,000
Operating charges (ii)	0.85%	0.85%	1.00%
Direct transaction costs	0.09%	0.10%	0.03%

Prices			
Highest share price	15.69	12.15	10.45
Lowest share price	11.79	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 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 15 September 2016.

Share Class F Accumulation was launched on 28 November 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.

US Advantage Fund

Fund Review (continued)

PERFORMANCE REVIEW

For the year ending 30 September 2018, the Fund's I Accumulation class shares outperformed the benchmark S&P 500 Index by 11.68%, returning 32.99% (net of fees in sterling) versus 21.31% 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 year was driven by favourable stock selection and sector allocation.

The consumer discretionary sector contributed the most to relative performance, with both stock selection and an overweight in the sector adding value. Our stock selection in the industrials sector was advantageous as well, although the relative gain was somewhat tempered by negative impact of an overweight to the sector. The information technology sector was another leading contributor to performance due to strong stock selection and a beneficial overweight allocation in the sector.

The only sector-level detractor from relative performance was the materials sector. Our selection in materials stocks provided a modest boost to performance, but it was more than offset by the drag on performance from an overweight in the sector.

MARKET REVIEW

Over the year, an improving economy, tax cuts and an easing regulatory environment supported strong corporate earnings and optimism for United States (U.S.) stocks. A tight labour market helped bolster consumer spending and confidence, despite tepid wage growth, while inflation pressures remained low. These conditions kept the Federal Reserve on track with normalising its monetary policy, which began to push interest rates above their historically low levels. Political noise remained elevated, with global trade concerns largely in the forefront. But U.S. equities stayed focused on strong U.S. economic growth instead, ending the reporting year with a robust gain. In sterling terms, the S&P 500 Index rose 21.31% over the year, led by strong appreciation in the consumer discretionary, information technology and health care sectors. Telecommunication services, utilities and consumer staples, with their more moderate returns, were the bottom performers.

PORTFOLIO ACTIVITY

As of the end of the reporting year, the Fund's largest sector weights were information technology, consumer discretionary 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 (unaudited)

AS AT 30 SEPTEMBER 2018

	Holdings	Investments	Market Value (£)	% of Net Asset Value 30 Sep 2018	% of Net Asset Value 30 Sep 2017
Basic Materials – 2.95%					
	48,992	Ecolab	5,891,735	1.49	
	46,341	Praxair	5,768,370	1.46	
			11,660,105	2.95	-
Consumer Goods – 11.51%					
	286,490	Activision Blizzard	18,203,014	4.60	
	358,887	Elanco Animal Health	9,959,447	2.52	
	63,554	LVMH Moët Hennessy Louis Vuitton	17,344,395	4.39	
			45,506,856	11.51	9.29
Consumer Services – 19.14%					
	23,937	Amazon.com	36,942,734	9.34	
	2,955	Booking	4,464,606	1.13	
	147,904	Copart	5,803,423	1.47	
	127,335	Rollins	5,786,265	1.46	
	386,555	Starbucks	16,996,437	4.30	
	63,782	Walt Disney	5,675,378	1.44	
			75,668,843	19.14	21.07
Financials – 2.20%					
	3,437	Markel	3,135,889	0.79	
	35,661	S&P Global	5,577,617	1.41	
			8,713,506	2.20	17.39
Health Care – 6.00%					
	32,129	Intuitive Surgical	14,035,397	3.55	
	138,335	Zoetis	9,673,156	2.45	
			23,708,553	6.00	2.70
Industrials – 20.66%					
	55,427	Broadridge Financial Solutions	5,577,549	1.41	
	194,441	Canadian National Railway	13,357,841	3.38	
	72,116	Danaher	5,982,290	1.51	
	88,961	Fortive	5,773,151	1.46	
	35,579	Martin Marietta Materials	5,104,811	1.29	
	15,957	Sherwin-Williams	5,573,629	1.41	
	162,471	Union Pacific	20,406,976	5.16	
	53,307	United Technologies	5,709,622	1.45	
	64,812	Vulcan Materials	5,617,435	1.42	
	79,448	Waste Management	5,473,204	1.39	
	22,825	Watsco	3,098,815	0.78	
			81,675,323	20.66	22.72
Technology – 31.92%					
	25,967	Adobe	5,374,396	1.36	
	17,073	Alphabet	15,642,453	3.96	
	41,811	ANSYS	5,976,203	1.51	
	9,853	Constellation Software	5,509,511	1.39	
	108,633	Facebook	14,064,556	3.56	
	34,125	Intuit	5,830,633	1.48	
	159,795	Salesforce.com	19,657,925	4.97	
	90,397	ServiceNow	13,523,152	3.42	
	128,591	SS&C Technologies	5,546,538	1.40	
	700,122	Twitter	15,789,109	3.99	
	30,906	Tyler Technologies	5,792,769	1.47	
	120,530	Workday	13,491,110	3.41	
			126,198,355	31.92	22.55
Options – 0.04%					
	74,998,993	Currency Option USD Call CNH Put 7.784% July 2019	138,944	0.03	
	10,924,864	Currency Option USD Call CNH Put 7.1605% January 2019	29,195	0.01	
	9,859,691	Currency Option USD Call CNH Put 7.52% November 2018	310	0.00	
			168,449	0.04	0.04
		Portfolio of investments	373,299,990	94.42	95.76
		Net other assets	22,060,177	5.58	4.24
		Net assets	395,360,167	100.00	100.00

All holdings are ordinary shares unless otherwise stated.

US Advantage Fund

Portfolio Statement (unaudited) (continued)

AS AT 30 SEPTEMBER 2018

Financial derivative instrument risk exposure

The exposure obtained through financial derivative instruments and identity of counterparties as at 30 September 2018 was as follows:

Options Contracts

Counterparty	Notional value (£)	Value of exposure (£)
Royal Bank of Scotland	95,783,548	168,449
Total	95,783,548	168,449

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 2018

	Notes	30 Sep 2018 (£)	30 Sep 2018 (£)	30 Sep 2017 (£)	30 Sep 2017 (£)
Income					
Net capital gains	4		27,333,020		1,421,795
Revenue	5	735,927		104,065	
Expenses	6	(647,139)		(102,529)	
Interest payable and similar charges		(555)		-	
Net revenue before taxation		88,233		1,536	
Taxation	7	(105,413)		(15,738)	
Net expense after taxation			(17,180)		(14,202)
Total return before distributions			27,315,840		1,407,593
Equalisation	8		748		(12,983)
Change in net assets attributable to shareholders from investment activities			27,316,588		1,394,610

Statement of Change in Net Assets Attributable to Shareholders

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	30 Sep 2018 (£)	30 Sep 2018 (£)	30 Sep 2017 (£)	30 Sep 2017 (£)
Opening net assets attributable to shareholders		28,550,322		3,626,274
Amounts receivable on issue of shares	345,167,600		24,026,085	
Amounts payable on cancellation of shares	(6,171,819)		(509,826)	
		338,995,781		23,516,259
Dilution adjustment charged		136,257		13,179
Change in net assets attributable to shareholders from investment activities		27,316,588		1,394,610
Retained distribution on accumulation shares		361,219		-
Closing net assets attributable to shareholders		395,360,167		28,550,322

Balance Sheet

AS AT 30 SEPTEMBER 2018

	Notes	30 Sep 2018 (£)	30 Sep 2018 (£)	30 Sep 2017 (£)	30 Sep 2017 (£)
Assets					
Investment assets			373,299,990		27,340,906
Debtors	9	3,180,179		30,051	
Cash and bank balances	10	19,492,897		1,313,179	
Total other assets			22,673,076		1,343,230
Total assets			395,973,066		28,684,136
Liabilities					
Creditors	11	612,899		133,814	
Total liabilities			612,899		133,814
Net assets attributable to shareholders			395,360,167		28,550,322

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 2018

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 and amended in June 2017 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.

Overseas dividends are disclosed gross of any foreign tax suffered, the tax element being separately disclosed in note 7.

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 year, 28 September 2018. 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 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 faces from investing are: (a) market price risk, (b) foreign currency risk, (c) interest rate risk & cash flow risk, (d) liquidity risk and (e) use of derivatives.

US Advantage Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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 2018, 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 £18,665,000 (2017: £1,367,045).

(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 2018, 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 £3,773,597 (2017: £273,281).

The Fund's currency exposure as at 30 September 2018 was:

Currency	Net foreign currency assets		
	Monetary Exposure £	Non-Monetary Exposure £	Total £
Canadian Dollar	44,602	5,509,511	5,554,113
Euro	1,091	17,344,395	17,345,486
Swiss Franc	142	–	142
US Dollar	4,182,295	350,277,635	354,459,930
Total	4,228,130	373,131,541	377,359,671

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

(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 2018 was:

Currency	Floating Rate financial assets £	Financial assets not carrying interest £	Total £
	2018		
Canadian Dollar	297	5,553,816	5,554,113
Euro	444	17,345,042	17,345,486
Pound Sterling	15,522,723	3,090,671	18,613,395
Swiss Franc	142	–	142
US Dollar	3,969,291	350,490,639	354,459,930
Total	19,492,897	376,480,168	395,973,066
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

US Advantage Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

Currency	Floating Rate financial liabilities £	Financial liabilities not carrying interest £	Total £
2018			
Pound Sterling	-	612,899	612,899
Total	-	612,899	612,899
2017			
Pound Sterling	-	85,455	85,455
US Dollar	-	48,359	48,359
Total	-	133,814	133,814

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 2018 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 18 (£)	30 Sep 17 (£)
Gains on non-derivative securities	27,758,964	1,620,905
Losses on derivative contracts	(186,407)	(30,186)
Currency losses	(225,669)	(162,241)
Transaction charges	(18,115)	(11,797)
ACD's reimbursement to capital	4,247	5,114
Net capital gains	27,333,020	1,421,795

5. REVENUE

	30 Sep 18 (£)	30 Sep 17 (£)
Overseas dividends	734,284	104,058
Bank interest	1,643	7
Total revenue	735,927	104,065

US Advantage Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

6. EXPENSES

	30 Sep 18 (£)	30 Sep 17 (£)
Payable to the ACD, associates of the ACD and agents of either of them:		
Management charge	485,618	80,164
Administration charge	292,302	42,679
Less ACD reimbursement to revenue	(197,329)	(71,174)
	580,591	51,669
Other expenses:		
Financial Conduct Authority fee	480	480
Audit fee**	9,297	9,422
Depository's fees	21,747	2,803
Safe custody fees	5,277	(2,913)*
Professional fees	19,165	31,117
Printing & production costs	10,582	9,951
	66,548	50,860
Total expenses	647,139	102,529

* Due to overaccrual within prior year.

** The audit fee for the year, excluding VAT, was £7,875 (2017: £7,850).

7. TAXATION

(a) Analysis of charge in the year:

	30 Sep 18 (£)	30 Sep 17 (£)
Overseas tax	105,413	15,738
Total taxation	105,413	15,738

(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 18 (£)	30 Sep 17 (£)
Net revenue before taxation	88,233	1,536
Corporation tax of 20% (2017: 20%)	17,647	307
Effects of:		
Revenue not subject to corporation tax	(147,441)	(20,812)
Movement in excess expenses	129,784	18,277
Overseas tax	105,413	15,738
Rebated capital expenses deductible for tax purposes	10	2,309
Prior year adjustments – movement in excess expenses	–	(81)
Total tax for the year	105,413	15,738

(c) Provision for deferred tax

At 30 September 2018 the Fund had surplus operating expenses of £741,266 (2017: £92,346). 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 £148,253 (2017: £18,469) 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 18 (£)	30 Sep 17 (£)
Final	361,219	–
Add: Amounts deducted on cancellation of shares	(6,437)	(232)
Less: Amounts received on issue of shares	(355,530)	13,215
Net distribution for the year	(748)	12,983

Distributions are represented by:

	30 Sep 18 (£)	30 Sep 17 (£)
Net expense after taxation	(17,180)	(14,202)
Tax relief on expenses offset against capital	10	–
Share classes I and F shortfall funded from capital	16,422	27,185
Net distribution for the year	(748)	12,983

Details of the distribution per share are set out in the Distribution Tables on page 46.

9. DEBTORS

	30 Sep 18 (£)	30 Sep 17 (£)
Accrued revenue	88,861	1,785
Amounts receivable for issue of shares	2,963,416	–
Overseas tax recoverable	646	828
Reimbursement of expenses receivable from ACD	127,256	27,438
	3,180,179	30,051

10. CASH AND BANK BALANCES

	30 Sep 18 (£)	30 Sep 17 (£)
Cash and bank balances	19,492,897	1,313,179
	19,492,897	1,313,179

11. CREDITORS

	30 Sep 18 (£)	30 Sep 17 (£)
Purchases awaiting settlement	–	48,360
Accrued expenses	264,162	46,322
Amounts payable to ACD	348,737	39,132
	612,899	133,814

US Advantage Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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 and note 8. 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 at the year end date. (2017: One investor (Morgan Stanley Seed Holdings, Ltd) held 17% 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 (2017: £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 Table 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 18 (£)	30 Sep 17 (£)	30 Sep 18 (£)	30 Sep 17 (£)
Equities	352,253,534	33,248,786	34,316,015	11,070,813
Trades in the year before transaction costs	352,253,534	33,248,786	34,316,015	11,070,813
Commissions				
Equities	28,921	9,568	(6,459)	(4,211)
Total Commissions	28,921	9,568	(6,459)	(4,211)
Taxes				
Equities	71,320	5,466	(516)	(234)
Total Taxes	71,320	5,466	(516)	(234)
Total costs	100,241	15,034	(6,975)	(4,445)
Total net trades in the year after transaction costs	352,353,775	33,263,820	34,309,040	11,066,368

In the case of shares, commissions and taxes are paid by the sub-fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the average dealing spread was 0.03% (2017: 0.02%).

Total transaction cost expressed as a percentage of asset class:

For the year ending	Purchases		Sales	
	30 Sep 18 %	30 Sep 17 %	30 Sep 18 %	30 Sep 17 %
Commissions				
Equities	0.008	0.029	(0.019)	(0.038)
Taxes				
Equities	0.020	0.016	(0.002)	(0.002)

Total transaction cost expressed as a percentage of average NAV:

For the year ending	30 Sep 18 %	30 Sep 17 %
Commissions	0.030	0.070
Taxes	0.061	0.029
Total	0.091	0.099

US Advantage Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

16. SHARE RECONCILIATION

Reconciliation of the share movements in the year ended 30 Sep 2018

	F Accumulation I Accumulation	
Opening shares in issue	2,268,320	349,768
Creations during the year	24,559,651	647,595
Cancellations during the year	(63,089)	(352,467)
Closing shares in issue	26,764,882	644,896

17. FAIR VALUE HIERARCHY

Valuation technique	Assets		Liabilities	
	30 Sep 2018 (£)	30 Sep 2018 (£)	30 Sep 2017 (£)	30 Sep 2017 (£)
Quoted prices for identical instruments in active markets [^]	373,131,541	–	27,328,621	–
Valuation techniques using observable market data ^{^^}	168,449	–	12,285	–
Valuation techniques using non-observable data ^{^^^}	–	–	–	–
	373,299,990	–	27,340,906	–

[^] 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 EVENTS

There are no significant post balance sheet events.

US Advantage Fund

Distribution Table

FOR THE YEAR ENDED 30 SEPTEMBER 2018

FINAL DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 October 2017

Group 2: shares purchased between 1 October 2017 and 30 September 2018

	Revenue (p)	Equalisation (p)	Distribution paid/accumulated 30 Nov 2018 (p)	Distribution paid/accumulated 30 Nov 2017 (p)
Share Class F – Accumulation				
Group 1	1.3496	–	1.3496	0.0000
Group 2	0.0000	1.3496	1.3496	0.0000
Share Class I – Accumulation				
Group 1	0.0000	–	0.0000	0.0000
Group 2	0.0000	0.0000	0.0000	0.0000

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

Fund Review (continued)

PERFORMANCE REVIEW

For the year ending 30 September 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 0.34% (net of fees in sterling) versus 0.22% 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. Sterling credit spreads were 20 basis points (bps) wider over the year, with financials 23 bps wider, industrials 14 bps wider and utilities 26 bps wider. Credit positioning added to performance, driven primarily by good security selection and not owning some of the underperforming financials. Not owning some of the volatile Italian credits also added to returns. Selective overweights to sectors such as energy added to performance. Exposure to REITs and Consumer non-cyclical sectors detracted to partially offset outperformance. The underweight to high quality long dated government related bonds detracted. New issues created relative value opportunities, which the Fund took advantage of and was a positive source of excess return. The underweight to asset-backed securities had a positive impact on performance. The underweight to duration had a positive impact on relative performance. During the year, 10-year gilt yields rose 30 bps. The Fund continues to be underweight to duration, viewing the risks posed by gilt yields at these levels to be asymmetric, supported by rising rates in the United States (U.S.) and strong global economic data, while the underweight acts, in our opinion, as a hedge to owning credit in the current environment.

MARKET REVIEW

We ended 2017 with a positive tone. Risk assets rallied as macroeconomic conditions remained supportive, with global growth indicators trending higher and central bank policy and rhetoric remaining supportive. Optimism surrounding and the subsequent passing of President Trump's tax bill, along with strong corporate earnings added to the positive sentiment during the quarter.

While risk assets also started 2018 in a strong fashion, continuing the trend seen at the end of 2017 (driven mainly by strong economic data in both Europe and the U.S. against a backdrop of easy financials conditions), sentiment reversed in February, when better-than-expected inflation data, particularly in the U.S., 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.

The second and third quarters of 2018 were negative for fixed income risk assets. Political risk was a dominant factor as concerns about the anti-euro stance of the Italian coalition government and its ambitious fiscal deficit targets, elections in various emerging markets, equity market volatility and the ongoing U.S./China trade war weighed heavily on markets.

In the United Kingdom (U.K.), the Bank of England raised interest rates by 25 bps to 0.75% in September 2018, citing capacity constraints and an inflation rate that remains above target. Despite Brexit uncertainty, the U.K. economy is performing ahead of expectations. The outcome of the Brexit negotiations is awaited with some nervousness. When prospects of a closer ongoing relationship with Europe rise, gilts sell off and Sterling rises, indicating that the markets are fairly bearishly priced.

PORTFOLIO ACTIVITY

The Fund has remained active throughout the year, participating in new issues and actively rotating existing issues. During the start of year, the Fund did increase the allocation to financial bonds higher up the capital structure as valuations between senior and subordinated bonds compressed (still long subordinated financials), which made a few primary deals in the senior space look relatively cheap at new issue. However in the second quarter of 2018 the Fund increased the allocation to subordinated financials to take advantage of the spread widening seen in the first quarter and beginning of the second quarter. The Fund's exposure to industrials (small underweight in spread duration terms but still overweight some of the higher-beta sectors) was broadly constant throughout the year, with increases in underweights to less favoured sectors. The Fund remained underweight to government-related securities, securitised and covered bonds, driven by limited spread pick-up and the existence of more attractive investment opportunities in other segments of the credit market. Exposure to non-U.K. business risk increased at the margin. Exposure to corporate hybrids was broadly unchanged during the year. The Fund remained underweight duration during the year, with the underweight getting as low as -1.60 years and as high as -1.95 years versus the benchmark.

Sterling Corporate Bond Fund

Fund Review (continued)

STRATEGY & OUTLOOK

The outlook for credit has improved from last year with yields higher and the economy performing well. The Fund is positioned overweight to credit, reflecting expectations that default rates will stay low due to the stronger global economy and earnings will exceed expectations. Valuations have cheapened as idiosyncratic political news caused systemic risk premiums to rise, supporting the positive view. Financials remain the sector of choice driven by the continued de-risking driven by regulators which is bondholder friendly. Concerns over increasing leverage, M&A and the risks from technology disruption are factors that make us cautious on Industrials.

The global economy continues to improve, supported by accommodative monetary policy and structural reform. Corporate profits are beating estimates, the exceptions being where technology disruption is highest such as U.K. retail, reflective of the positive global economic momentum. Looking forward, the key question is when will we see an economic slowdown. Most developed markets are in the expansionary period, which history suggests can't be sustained indefinitely. Higher corporate leverage, an increase in Mergers and acquisitions (M&A) and a flat yield curve are all cited as signals the global economy might slow; alternatively, and our base case is that, the positive backdrop will be extended as a pick-up in capital spending coupled with a gradual removal of the accommodative monetary stance will support growth. While many companies are either not U.K.-based, or the businesses are not sensitive to the U.K. economy, Brexit will be an important factor over the coming months for U.K. 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 (unaudited)

AS AT 30 SEPTEMBER 2018

	Nominal in GBP unless stated	Investments	Market Value (£)	% of Net Asset Value 30 Sep 2018	% of Net Asset Value 30 Sep 2017
Corporate Bonds – 85.35%					
	2,100,000	ABN AMRO Bank 1.375% 07/06/2022	2,065,770	0.92	
	200,000	ABP Finance 6.25% 14/12/2026	242,554	0.11	
	200,000	Aegon 6.125% 15/12/2031	266,166	0.12	
	300,000	Affinity Water Finance 5.875% 13/07/2026	375,171	0.17	
	450,000	Affordable Housing Finance 3.8% 20/05/2044	573,035	0.26	
	725,000	Affordable Housing Finance 2.893% 11/08/2045	808,600	0.36	
EUR700,000		Alice Luxembourg 7.25% 15/05/2022	618,649	0.28	
	350,000	Amgen 4% 13/09/2029	387,002	0.17	
	1,000,000	Anglian Water Services Financing 4.5% 22/02/2026	1,081,240	0.48	
	1,000,000	Anglian Water Services Financing 2.625% 15/06/2027	943,070	0.42	
	2,500,000	Anheuser-Busch 2.85% 25/05/2037	2,352,550	1.05	
	1,000,000	Annington Funding 2.646% 12/07/2025	986,900	0.44	
	750,000	Annington Funding 3.935% 12/07/2047	764,490	0.34	
	1,000,000	Apple 3.6% 31/07/2042	1,163,830	0.52	
	800,000	APT Pipelines 4.25% 26/11/2024	870,584	0.39	
	400,000	Ardagh Packaging Finance 4.75% 15/07/2027	390,592	0.18	
EUR500,000		Arena Luxembourg Finance 2.875% 01/11/2024	444,841	0.20	
	600,000	Aroundtown 3.25% 18/07/2027	587,046	0.26	
	1,650,000	Aroundtown 3% 16/10/2029	1,551,247	0.69	
	150,000	Arqiva Broadcast Finance 6.75% 30/09/2023	153,533	0.07	
	100,000	Arqiva Financing 5.34% 30/12/2037	115,430	0.05	
	500,000	Arrow Global Finance 5.125% 15/09/2024	462,695	0.21	
	2,350,000	AT&T 2.9% 04/12/2026	2,322,599	1.04	
	2,500,000	AT&T 5.2% 18/11/2033	2,934,025	1.31	
	250,000	Aviva 6.125% 14/11/2036	273,202	0.12	
	1,000,000	Aviva 4.375% 12/09/2049	942,340	0.42	
	300,000	Aviva 5.125% 04/06/2050	296,205	0.13	
	600,000	AXA 7.125% 15/12/2020	667,458	0.30	
	1,000,000	Banco Santander 2.75% 12/09/2023	992,380	0.44	
	250,000	Bank of America 5.5% 22/11/2021	275,035	0.12	
	1,000,000	Bank of America 4.25% 10/12/2026	1,106,770	0.50	
	800,000	Bank of Ireland 3.125% 19/09/2027	770,504	0.35	
	1,000,000	BAT Capital 2.125% 15/08/2025	961,690	0.43	
	900,000	BAT International Finance 4% 23/11/2055	944,208	0.42	
	2,250,000	Bazalgette Finance 2.375% 29/11/2027	2,194,470	0.98	
	1,100,000	Becton Dickinson 3.02% 24/05/2025	1,112,375	0.50	
	1,300,000	BHP Billiton Finance 6.5% 22/10/2077	1,463,488	0.66	
	2,500,000	BMW International Investment 1.875% 11/09/2023	2,469,500	1.11	
	1,000,000	BNP Paribas 5.75% 24/01/2022	1,113,260	0.50	
	600,000	BNP Paribas 1.125% 16/08/2022	582,108	0.26	
	2,000,000	BP Capital Markets 2.274% 03/07/2026	2,004,200	0.90	
	1,800,000	BPCE 5.25% 16/04/2029	2,044,224	0.91	
	1,000,000	BUFA Finance 5% 08/12/2026	1,075,320	0.48	
EUR600,000		BWAY Holding 4.75% 15/04/2024	545,814	0.24	
	1,500,000	Cadent Finance 2.625% 22/09/2038	1,346,460	0.60	
EUR2,500,000		CaixaBank 2.25% 17/04/2030	2,107,666	0.94	
	150,000	Cambridgeshire Housing Capital 4.25% 15/09/2045	174,152	0.08	
	50,000	Canary Wharf Finance II 5.952% 22/10/2037	69,713	0.03	
	450,000	Centrica 5.25% 10/04/2075	468,823	0.21	
	150,000	Citigroup 7.375% 01/09/2039	237,297	0.11	
EUR550,000		CNAC HK Finbridge 1.75% 14/06/2022	485,554	0.22	
	1,000,000	CNP Assurances 7.375% 30/09/2041	1,118,030	0.50	
	300,000	Commonwealth Bank of Australia 4.875% 19/12/2023	302,154	0.14	
EUR1,000,000		Commonwealth Bank of Australia 2% 22/04/2027	903,758	0.40	
	1,000,000	Cooperatieve Rabobank 5.25% 14/09/2027	1,143,720	0.51	
	1,500,000	Coventry Building Society 1.875% 24/10/2023	1,464,855	0.66	
	1,000,000	CPUK Finance 2.666% 28/02/2042	1,011,940	0.45	
EUR1,300,000		Credit Agricole Assurances 2.625% 29/01/2048	1,056,999	0.47	
	1,000,000	Credit Suisse 2.125% 12/09/2025	952,640	0.43	
	700,000	Credit Suisse Funding 3% 27/05/2022	719,929	0.32	
	1,000,000	Crh Finance UK 4.125% 02/12/2029	1,108,880	0.50	
	1,500,000	CYBG 4% 25/09/2026	1,490,640	0.67	
	1,700,000	Daimler International Finance 2% 04/09/2023	1,686,774	0.75	
	2,000,000	Deutsche Bank 1.875% 28/02/2020	1,990,960	0.89	
	2,100,000	Deutsche Bank 1.75% 16/12/2021	2,051,322	0.92	
	2,600,000	Discovery Communications 2.5% 20/09/2024	2,533,414	1.13	
	2,500,000	DP World 4.25% 25/09/2030	2,487,075	1.11	
	1,000,000	DS Smith 2.875% 26/07/2029	957,240	0.43	

Sterling Corporate Bond Fund

Portfolio Statement (unaudited) (continued)

AS AT 30 SEPTEMBER 2018

Nominal in GBP unless stated	Investments	Market Value (£)	% of Net Asset Value 30 Sep 2018	% of Net Asset Value 30 Sep 2017
Corporate Bonds – 85.35% (continued)				
1,400,000	DXC Technology 2.75% 15/01/2025	1,390,298	0.62	
500,000	Eastern Power Networks 5.75% 08/03/2024	585,420	0.26	
1,000,000	EDP Finance 8.625% 04/01/2024	1,287,280	0.58	
500,000	Electricite de France 6.125% 02/06/2034	660,405	0.30	
200,000	Electricite de France 6% 23/01/2114	256,278	0.11	
500,000	Electricity North West 8.875% 25/03/2026	712,395	0.32	
USD1,250,000	Enel 8.75% 24/09/2073	1,049,574	0.47	
1,000,000	Enel 7.75% 10/09/2075	1,087,440	0.49	
200,000	Enel Finance 5.75% 14/09/2040	250,216	0.11	
EUR1,000,000	Energias de Portugal 5.375% 16/09/2075	960,515	0.43	
EUR700,000	Europcar Groupe 4.125% 15/11/2024	617,773	0.28	
1,250,000	Eversholt Funding 3.529% 07/08/2042	1,185,812	0.53	
682,000	Experian Finance 4.75% 23/11/2018	685,267	0.31	
1,500,000	FCA Capital Ireland 1.625% 29/09/2021	1,470,045	0.66	
1,000,000	FCE Bank 2.727% 03/06/2022	1,004,940	0.45	
900,000	Friends Life 8.25% 21/04/2022	1,071,396	0.48	
2,200,000	Gatwick Funding 3.125% 28/09/2041	2,109,382	0.94	
900,000	GE Capital UK Funding Unlimited 4.125% 13/09/2023	984,366	0.44	
800,000	Glencore Canada Financial 7.375% 27/05/2020	870,136	0.39	
EUR650,000	Glencore Finance Europe 3.75% 01/04/2026	630,286	0.28	
1,800,000	Goldman Sachs 4.25% 29/01/2026	1,954,188	0.87	
1,100,000	Goldman Sachs 3.125% 25/07/2029	1,077,703	0.48	
1,500,000	Hammerson 3.5% 27/10/2025	1,527,120	0.68	
400,000	Heathrow Funding 2.75% 09/08/2051	351,356	0.16	
300,000	High Speed Rail Finance 4.375% 01/11/2038	356,991	0.16	
825,000	Hiscox 6.125% 24/11/2045	881,719	0.39	
2,500,000	HSBC 2.256% 13/11/2026	2,383,200	1.07	
1,500,000	HSBC 5.75% 20/12/2027	1,761,840	0.79	
1,000,000	Iberdrola Finanzas 7.375% 29/01/2024	1,252,500	0.56	
300,000	Imperial Brands Finance 9% 17/02/2022	366,660	0.16	
300,000	Imperial Brands Finance 4.875% 07/06/2032	337,458	0.15	
EUR500,000	INEOS Finance 2.125% 15/11/2025	432,261	0.19	
1,100,000	Informa 3.125% 05/07/2026	1,099,296	0.49	
900,000	innogy Finance 4.75% 31/01/2034	1,052,163	0.47	
800,000	innogy Finance 6.125% 06/07/2039	1,100,704	0.49	
EUR600,000	International Game Technology 4.75% 15/02/2023	573,901	0.26	
2,000,000	Intesa Sanpaolo 5.25% 28/01/2022	2,139,040	0.96	
EUR500,000	Intrum 3.125% 15/07/2024	420,321	0.19	
200,000	IPIC GMTN 6.875% 14/03/2026	260,786	0.12	
EUR500,000	IQVIA 3.25% 15/03/2025	451,559	0.20	
500,000	Jaguar Land Rover Automotive 3.875% 01/03/2023	475,930	0.21	
300,000	John Lewis 4.25% 18/12/2034	277,299	0.12	
1,500,000	JPMorgan 3.5% 18/12/2026	1,612,620	0.72	
EUR650,000	La Financiere Atalian 4% 15/05/2024	557,628	0.25	
750,000	Legal & General 5.375% 27/10/2045	794,902	0.36	
500,000	Legal & General 5.5% 27/06/2064	509,340	0.23	
2,000,000	Lloyds Bank 7.625% 22/04/2025	2,525,120	1.13	
3,000,000	Lloyds Banking 2.25% 16/10/2024	2,882,100	1.29	
2,100,000	London & Quadrant Housing Trust 2.625% 28/02/2028	2,078,412	0.93	
800,000	Manchester Airport Group Funding 2.875% 31/03/2039	757,272	0.34	
1,000,000	McKesson 3.125% 17/02/2029	980,290	0.44	
500,000	Motability Operations 2.375% 14/03/2032	483,160	0.22	
500,000	Muenchener Rueckversicherungs-Gesellschaft 6.625% 26/05/2042	564,565	0.25	
1,500,000	National Express 2.5% 11/11/2023	1,482,030	0.66	
122,000	Nationwide Building Society 3% 06/05/2026	125,155	0.06	
900,000	Nationwide Building Society 3.25% 20/01/2028	932,670	0.42	
800,000	NGG Finance 5.625% 18/06/2073	874,904	0.39	
1,000,000	NIE Finance 2.5% 27/10/2025	1,003,550	0.45	
750,000	NIE Finance 6.375% 02/06/2026	948,225	0.42	
400,000	Northern Powergrid Holdings 7.25% 15/12/2022	486,872	0.22	
1,000,000	Northumbrian Water Finance 1.625% 11/10/2026	923,830	0.41	
1,000,000	Northumbrian Water Finance 2.375% 05/10/2027	965,620	0.43	
1,500,000	Orsted 4.875% 12/01/2032	1,801,050	0.81	
1,100,000	Paragon Treasury 3.625% 21/01/2047	1,142,493	0.51	
600,000	Petrobras Global Finance 5.375% 01/10/2029	545,688	0.24	
2,200,000	Petroleos Mexicanos 3.75% 16/11/2025	2,079,462	0.93	
500,000	Pizzaexpress Financing 6.625% 01/08/2021	444,330	0.20	

Sterling Corporate Bond Fund

Portfolio Statement (unaudited) (continued)

AS AT 30 SEPTEMBER 2018

Nominal in GBP unless stated	Investments	Market Value (£)	% of Net Asset Value 30 Sep 2018	% of Net Asset Value 30 Sep 2017
Corporate Bonds – 85.35% (continued)				
275,000	Porterbrook Rail Finance 7.125% 20/10/2026	351,307	0.16	
750,000	Procter & Gamble 1.8% 03/05/2029	720,525	0.32	
1,250,000	Prudential 5.625% 20/10/2051	1,261,850	0.56	
400,000	Prudential 5% 20/07/2055	418,516	0.19	
449,000	QBE Insurance 6.115% 24/05/2042	480,291	0.21	
1,300,000	Quadgas Finance 3.375% 17/09/2029	1,291,381	0.58	
400,000	RHP Finance 3.25% 05/02/2048	390,904	0.18	
2,100,000	Royal Bank of Scotland 2.875% 19/09/2026	2,045,841	0.92	
225,000	Saga 3.375% 12/05/2024	211,527	0.09	
EUR2,300,000	Santander Issuances 3.125% 19/01/2027	2,105,340	0.94	
225,000	Santander UK 6.5% 21/10/2030	271,339	0.12	
2,100,000	Santander UK Group Holdings 2.92% 08/05/2026	2,046,156	0.92	
450,000	Scentre Trust 2.375% 08/04/2022	458,545	0.21	
1,000,000	Scotland Gas Networks 3.25% 08/03/2027	1,036,600	0.46	
100,000	Scottish Widows 5.5% 16/06/2023	109,193	0.05	
500,000	Segro 5.625% 07/12/2020	541,130	0.24	
860,000	Segro 2.375% 11/10/2029	819,804	0.37	
1,500,000	Segro 2.875% 11/10/2037	1,407,840	0.63	
1,000,000	Severn Trent Utilities Finance 2.75% 05/12/2031	970,340	0.43	
750,000	SGSP Australia Assets 5.125% 11/02/2021	807,517	0.36	
1,350,000	Skipton Building Society 1.75% 30/06/2022	1,320,772	0.59	
600,000	SNCF Mobilites 5.375% 18/03/2027	751,098	0.34	
500,000	Southern Electric Power Distribution 5.5% 07/06/2032	633,305	0.28	
1,000,000	Southern Gas Networks 3.1% 15/09/2036	986,360	0.44	
450,000	SP Manweb 4.875% 20/09/2027	528,642	0.24	
1,000,000	SSE 3.625% 16/09/2077	1,003,130	0.45	
500,000	Stagecoach 4% 29/09/2025	516,345	0.23	
EUR305,000	Telecom Italia 2.375% 12/10/2027	255,161	0.11	
EUR200,000	Telecom Italia Finance 7.75% 24/01/2033	244,163	0.11	
50,000	Tesco 6.125% 24/02/2022	56,124	0.03	
266,778	Tesco Property Finance 7.6227% 13/07/2039	352,430	0.16	
EUR300,000	Teva Pharmaceutical Finance Netherlands 1.625% 15/10/2028	215,213	0.10	
300,000	Together Housing Finance 4.5% 17/12/2042	357,792	0.16	
1,000,000	Total Capital International 1.75% 07/07/2025	986,160	0.44	
500,000	Transport for London 2.125% 24/04/2025	506,065	0.23	
300,000	Transport for London 3.875% 23/07/2042	364,956	0.16	
100,000	United Parcel Service 5.125% 12/02/2050	144,084	0.06	
EUR600,000	Unitymedia Hessen 4% 15/01/2025	560,265	0.25	
2,000,000	University of Oxford 2.544% 08/12/2117	1,811,960	0.81	
1,300,000	Verizon Communications 3.125% 02/11/2035	1,239,108	0.55	
650,000	Verizon Communications 3.375% 27/10/2036	637,188	0.29	
200,000	Virgin Media Finance 6.375% 15/10/2024	207,304	0.09	
625,000	Virgin Media Receivables Financing Notes II 5.75% 15/04/2023	640,100	0.29	
300,000	Virgin Media Secured Finance 5.125% 15/01/2025	306,840	0.14	
700,000	Vodafone 3% 12/08/2056	589,715	0.26	
2,000,000	Vodafone 4.875% 03/10/2078	1,991,880	0.89	
400,000	Volkswagen Financial Services 1.875% 07/09/2021	398,576	0.18	
2,300,000	Volkswagen Financial Services 1.625% 09/06/2022	2,266,167	1.01	
50,000	Washington Mutual Bank 5.5% 10/06/2019*	-	-	
1,100,000	Wellcome Trust 2.517% 07/02/2118	988,570	0.44	
2,200,000	Wells Fargo 1.375% 30/06/2022	2,144,516	0.96	
100,000	Welltower 4.8% 20/11/2028	112,102	0.05	
3,000,000	Western Power Distribution South West 2.375% 16/05/2029	2,866,320	1.28	
500,000	Western Power Distribution West Midlands 3.875% 17/10/2024	540,210	0.24	
1,000,000	Westfield America Management 2.625% 30/03/2029	971,910	0.43	
EUR500,000	Wind Tre 3.125% 20/01/2025	402,040	0.18	
127,000	Wm Morrison Supermarkets 4.625% 08/12/2023	141,374	0.06	
300,000	Wm Morrison Supermarkets 4.75% 04/07/2029	342,009	0.15	
768,689	Wods Transmission 3.446% 24/08/2034	817,970	0.37	
1,500,000	WPP Finance 2.875% 14/09/2046	1,187,505	0.53	
1,000,000	Yorkshire Building Society 4.125% 20/11/2024	1,021,950	0.46	
1,500,000	Yorkshire Building Society 3.5% 21/04/2026	1,539,495	0.69	
500,000	Yorkshire Building Society 3.375% 13/09/2028	467,225	0.21	
525,000	Yorkshire Housing Finance 4.125% 31/10/2044	589,129	0.26	
		190,819,846	85.35	81.62

Sterling Corporate Bond Fund

Portfolio Statement (unaudited) (continued)

AS AT 30 SEPTEMBER 2018

	Nominal in GBP unless stated	Investments	Market Value (£)	% of Net Asset Value 30 Sep 2018	% of Net Asset Value 30 Sep 2017
Floating Bonds – 3.34%					
	1,138,076	Dukinfield 2.205444% 20/12/2052	1,145,167	0.51	
	812,961	EurosailUK 20074BL 1.74975% 13/06/2045	800,955	0.36	
	285,187	Farringdon Mortgages No 2 2.25306% 15/07/2047	286,792	0.13	
	1,190,506	Finsbury Square 2017-1 1.50113% 12/03/2059	1,190,387	0.53	
	333,598	ResLoC UK 2007-1 1.01731% 15/12/2043	313,674	0.14	
	598,500	Ribbon Finance 2018 2.50888% 20/04/2028	592,514	0.26	
	1,800,000	Taurus 2018-2 UK DAC 2.1% 22/05/2028	1,800,455	0.81	
	1,341,975	Towd Point Mortgage Funding 2017-Auburn 11 1.6545% 20/05/2045	1,344,220	0.60	
			7,474,164	3.34	4.93
Government Bonds – 1.46%					
	700,000	Italy Government International Bond 6% 04/08/2028	815,500	0.37	
	175,000	Jersey International Bond 3.75% 09/06/2054	216,328	0.10	
	600,000	KFW 6% 07/12/2028	835,530	0.37	
	225,000	Mexico Government International Bond 5.625% 19/03/2114	231,188	0.10	
	1,000,000	Spain Government International Bond 5.25% 06/04/2029	1,165,900	0.52	
			3,264,446	1.46	3.74
Perpetual Call Bonds – 6.40%					
	EUR1,100,000	ASR Nederland 5%	1,053,822	0.47	
	850,000	Assicurazioni Generali 6.416%	875,610	0.39	
	300,000	Aviva 6.125%	325,017	0.15	
	500,000	AXA 6.772%	517,500	0.23	
	EUR600,000	Banco Bilbao Vizcaya Argentaria 6.75%	554,137	0.25	
	EUR500,000	Banco Santander 6.25%	446,635	0.20	
	50,000	Barclays Bank 8.25%	50,609	0.02	
	50,000	Barclays Bank 14%	53,971	0.02	
	EUR400,000	Cooperatieve Rabobank 4.625%	358,910	0.16	
	250,000	Direct Line Insurance Group 4.75%	211,275	0.09	
	EUR300,000	Electricite de France 5%	277,847	0.12	
	300,000	Electricite de France 6%	306,636	0.14	
	1,000,000	ELM BV for Swiss Reinsurance 6.3024%	1,016,340	0.45	
	EUR400,000	Gas Natural Fenosa Finance 3.375%	353,525	0.16	
	1,500,000	HSBC Holdings 5.875%	1,502,820	0.67	
	50,000	Legal & General 5.875%	50,655	0.02	
	EUR600,000	Lloyds Banking 6.375%	563,489	0.25	
	100,000	National Westminster Bank 7.125%	113,381	0.05	
	450,000	Nationwide Building Society 6.875%	458,068	0.21	
	1,000,000	Orange 5.75%	1,074,460	0.48	
	750,000	Pennon Group 2.875%	750,000	0.34	
	500,000	RWE 7%	508,750	0.23	
	500,000	Santander UK Group Holdings 7.375%	524,885	0.24	
	EUR1,000,000	Solvay Finance 5.118%	976,732	0.44	
	EUR600,000	Telefonica Europe 4.2%	549,592	0.25	
	750,000	Zurich Finance 6.625%	838,327	0.37	
			14,312,993	6.40	5.72
Supra-national Borrowers – 2.16%					
	400,000	European Bank for Reconstruction & Development 5.625% 07/12/2028	538,372	0.24	
	400,000	European Bank for Reconstruction & Development 5.125% 07/06/2032	543,828	0.25	
	1,000,000	European Investment Bank 5.625% 07/06/2032	1,435,450	0.64	
	1,400,000	European Investment Bank 4.625% 12/10/2054	2,302,370	1.03	
			4,820,020	2.16	2.13
Futures Contracts – 0.10%					
	(54)	Euro Bobl Futures December 2018	30,452	0.01	
	(52)	Euro Bund Futures December 2018	32,264	0.02	
	(205)	UK Long Gilt Bond Futures December 2018	144,702	0.07	
	(14)	US 5 Year Note Futures December 2018	8,974	0.00	
			216,392	0.10	0.04
Forward Contracts – (0.01)%					
		Bought EUR1,000,000 for GBP895,190 Settlement 26/11/2018	(5,427)	0.00	
		Sold EUR23,913,000 for GBP21,267,409 Settlement 26/11/2018	(9,489)	(0.01)	
		Bought USD1,600,000 for GBP1,211,502 Settlement 27/11/2018	12,363	0.01	
		Sold USD2,930,000 for GBP2,214,354 Settlement 27/11/2018	(26,848)	(0.01)	
			(29,401)	(0.01)	(0.04)
		Portfolio of investments	220,878,460	98.80	98.14
		Net other assets	2,681,362	1.20	1.86
		Net assets	223,559,822	100.00	100.00

* Defaulted security, fair valued.

Sterling Corporate Bond Fund

Portfolio Statement (unaudited) (continued)

AS AT 30 SEPTEMBER 2018

Rating Block	Market value (£)
AAA	14,737,264
AA+	1,163,830
AA	1,642,421
AA-	2,949,876
A+	4,326,769
A	16,148,147
A-	27,658,155
BBB+	61,505,216
BBB	42,648,834
BBB-	27,740,815
BB+	6,256,659
BB	5,807,254
BB-	2,378,322
B+	1,082,513
B	1,937,343
B-	1,236,422
CCC+	444,330
Unrated	1,027,299
Portfolio of investments*	220,691,469

* 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 2018 was as follows:

Futures Contracts

Counterparty	Contracts	Notional value (£)	Value of exposure (£)
Goldman Sachs	(325)	39,666,451	216,392
Total	(325)	39,666,451	216,392

Forward Currency Exchange Contracts

Maturity date	Amount bought	CCY	Amount sold	CCY	Counterparty	Unrealised gain/(loss) (£)
27/11/2018	1,600,000	USD	1,211,502	GBP	Barclays Bank	12,363
Unrealised gain on Forward Currency Contracts						12,363
27/11/2018	2,214,354	GBP	2,930,000	USD	Barclays Bank	(26,848)
26/11/2018	21,267,409	GBP	23,913,000	Euro	Barclays Bank	(9,489)
26/11/2018	1,000,000	Euro	895,190	GBP	HSBC Bank	(5,427)
Unrealised loss on Forward Currency Contracts						(41,764)
Total unrealised loss on Forward Currency Contracts						(29,401)

Sterling Corporate Bond Fund

Portfolio Statement (unaudited) (continued)

AS AT 30 SEPTEMBER 2018

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 (£)	Unrealised 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 Contracts						(92,702)

Sterling Corporate Bond Fund

Statement of Total Return

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	30 Sep 2018 (£)	30 Sep 2018 (£)	30 Sep 2017 (£)	30 Sep 2017 (£)
Income					
Net capital losses	4		(4,929,757)		(2,347,064)
Revenue	5	6,429,121		6,237,249	
Expenses	6	(578,883)		(596,096)	
Interest payable and similar charges		(340)		(2,416)	
Net revenue before taxation		5,849,898		5,638,737	
Taxation	7	(7)		1,247	
Net revenue after taxation			5,849,891		5,639,984
Total return before distributions			920,134		3,292,920
Distributions	8		(5,849,818)		(5,638,780)
Change in net assets attributable to shareholders from investment activities			(4,929,684)		(2,345,860)

Statement of Change in Net Assets Attributable to Shareholders

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	30 Sep 2018 (£)	30 Sep 2018 (£)	30 Sep 2017 (£)	30 Sep 2017 (£)
Opening net assets attributable to shareholders		228,203,930		203,837,687
Amounts receivable on issue of shares	44,979,106		67,065,616	
Amounts payable on cancellation of shares	(46,680,882)		(42,655,288)	
		(1,701,776)		24,410,328
Dilution adjustment charged		106,509		144,987
Change in net assets attributable to shareholders from investment activities		(4,929,684)		(2,345,860)
Retained distribution on accumulation shares		1,880,843		2,156,788
Closing net assets attributable to shareholders		223,559,822		228,203,930

Balance Sheet

AS AT 30 SEPTEMBER 2018

	Notes	30 Sep 2018 (£)	30 Sep 2018 (£)	30 Sep 2017 (£)	30 Sep 2017 (£)
Assets					
Investment assets			220,920,224		224,073,508
Debtors	9	5,111,987		5,469,263	
Cash and bank balances	10	2,468,188		2,270,313	
Total other assets			7,580,175		7,739,576
Total assets			228,500,399		231,813,084
Liabilities					
Investment liabilities			41,764		123,062
Creditors	11	3,737,081		2,475,803	
Bank overdrafts		9		35	
Distribution payable on income shares		1,161,723		1,010,254	
Total other liabilities			4,898,813		3,486,092
Total liabilities			4,940,577		3,609,154
Net assets attributable to shareholders			223,559,822		228,203,930

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 2018

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 and amended in June 2017 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 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 year, 28 September 2018. 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 as part of the return for the accounting year.

(g) Treatment of derivatives

In determining the accounting treatment for derivatives, consideration is given to the instrument itself and Funds’ objectives for investment in derivative instruments. Where positions are held to protect capital, the returns are treated as capital. Where positions are to generate revenue, the returns are treated as revenue. Where positions generate total returns, these returns are apportioned between capital and revenue to properly reflect the nature of the transaction. The revenue element in respect of bond futures is calculated by reference to the quoted yield of the relevant index compared to LIBOR. This revenue element will either be revenue or an expense, depending on whether the position held is “long” or “short”.

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.

Sterling Corporate Bond Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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

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

(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 2018, 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 £11,043,923 (2017: £11,197,522).

(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 2018, 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 £211,806 (2017: £224,574).

The Fund's currency exposure as at 30 September 2018 was:

Currency	Net foreign currency assets		Total £
	Monetary Exposure £	Non- Monetary Exposure £	
Euro	386,849	19,724,396	20,111,245
US Dollar	19,743	1,049,574	1,069,317
Total	406,592	20,773,970	21,180,562

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

(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.

Sterling Corporate Bond Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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.

As at 30 September 2018, if interest rates moved up/down 1.00% then the impact to the net assets attributable to shareholders of the Fund would be -5.98%/+5.98% (£-13,368,877/+13,368,877) (2017: £-14,060,384/+14,060,384).

The interest rate risk profile of the Fund's financial assets and liabilities at 30 September 2018, was:

Currency	Floating rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
2018				
Euro	36,521	19,724,396	365,253	20,126,170
Pound Sterling	9,880,102	192,443,336	4,954,626	207,278,064
US Dollar	25,729	1,049,574	20,862	1,096,165
Total	9,942,352	213,217,306	5,340,741	228,500,399

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

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
2018			
Euro	9	14,916	14,925
Pound Sterling	-	4,898,804	4,898,804
US Dollar	-	26,848	26,848
Total	9	4,940,568	4,940,577
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

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 2018 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.

Sterling Corporate Bond Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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.

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 Investment Manager will be able to successfully hedge the Fund.

4. NET CAPITAL LOSSES

	30 Sep 18 (£)	30 Sep 17 (£)
Losses on non-derivative securities	(4,844,280)	(2,463,341)
Gains/(losses) on derivative contracts	1,387	(267,694)
Currency (losses)/gains	(79,411)	389,016
Transaction charges	(13,850)	(9,024)
ACD's reimbursement to capital	6,397	3,979
Net capital losses	(4,929,757)	(2,347,064)

5. REVENUE

	30 Sep 18 (£)	30 Sep 17 (£)
Bank interest	401	24,439
Interest on debt securities	6,537,086	6,212,810
Income from futures	(108,366)	-
Total revenue	6,429,121	6,237,249

6. EXPENSES

	30 Sep 18 (£)	30 Sep 17 (£)
Payable to the ACD, associates of the ACD and agents of either of them:		
Management charge	401,098	411,110
Administration charge	537,842	522,608
Less ACD reimbursement to revenue	(465,504)	(448,655)
	473,436	485,063
Other expenses:		
Financial Conduct Authority fee	481	480
Audit fee*	9,297	9,710
Depositary's fees	40,015	38,896
Safe custody fees	25,324	22,708
Professional fees	19,164	29,695
Printing & production costs	11,166	9,544
	105,447	111,033
Total expenses	578,883	596,096

* The audit fee for the year, excluding VAT, was £7,875 (2017: £7,850).

7. TAXATION

(a) Analysis of charge in the year:

	30 Sep 18 (£)	30 Sep 17 (£)
Corporation tax	7	-
Prior year adjustments	-	(1,247)
Total taxation	7	(1,247)

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

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

The differences are explained below:

	30 Sep 18 (£)	30 Sep 17 (£)
Net revenue before taxation	5,849,898	5,638,737
Corporation tax at 20% (2017: 20%)	1,169,980	1,127,747
Effects of:		
Tax deductible interest distributions	(1,169,980)	(1,127,747)
Capital income subject to taxation	7	-
Prior year adjustments	-	(1,247)
Total tax for the year	7	(1,247)

Sterling Corporate Bond Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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 18 (£)	30 Sep 17 (£)
Interim	4,695,472	4,143,582
Final	1,144,318	1,326,623
Add: Amounts deducted on cancellation of shares	163,714	255,515
Less: Amounts received on issue of shares	(153,686)	(325,722)
Income tax withheld at source	–	238,782
Net distribution for the year	5,849,818	5,638,780

Distributions are represented by:

	30 Sep 18 (£)	30 Sep 17 (£)
Net revenue after taxation	5,849,891	5,639,984
Capital income subject to taxation	7	(1,247)
Movement on revenue account	(80)	43
Net distribution for the year	5,849,818	5,638,780

Details of the distribution per share are set out in the Distribution Tables on pages 64 to 68.

9. DEBTORS

	30 Sep 18 (£)	30 Sep 17 (£)
Accrued revenue	3,416,981	3,241,977
Amounts receivable for issue of shares	100,429	2,049,146
Sales awaiting settlement	1,460,956	–
Reimbursement of expenses receivable from ACD	133,621	176,893
Corporation tax recoverable	–	1,247
	5,111,987	5,469,263

10. CASH AND BANK BALANCES

	30 Sep 18 (£)	30 Sep 17 (£)
Cash and bank balances	2,185,373	2,002,482
Amount held at futures clearing houses and brokers	282,815	267,831
	2,468,188	2,270,313

11. CREDITORS

	30 Sep 18 (£)	30 Sep 17 (£)
Purchases awaiting settlement	3,394,475	2,093,620
Accrued expenses	191,325	226,254
Amounts payable to ACD	101,465	143,338
Amount payable for cancellation of shares	49,808	12,591
Corporation tax payable	8	–
	3,737,081	2,475,803

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 and note 8. 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 at the year end date. (2017: no material shareholders).

13. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Fund had no contingent liabilities or capital commitments at the year end date (2017: £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 Table on pages 47 and 48. The distribution per share class is given in the Distribution Tables on pages 64 to 68.

Sterling Corporate Bond Fund

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

15. PORTFOLIO TRANSACTION COSTS

Analysis of total trade costs

For the year ending	Purchases		Sales	
	30 Sep 18 (£)	30 Sep 17 (£)	30 Sep 18 (£)	30 Sep 17 (£)
Bonds	171,449,438	196,958,464	168,376,593	171,356,924
Trades in the year before transaction costs	171,449,438	196,958,464	168,376,593	171,356,924
Commissions				
Futures	2,561	1,936	(1,730)	(1,884)
Total Commissions	2,561	1,936	(1,730)	(1,884)
Total costs	2,561	1,936	(1,730)	(1,884)
Total net trades in the year after transaction costs	171,451,999	196,960,400	168,374,863	171,355,040

In the case of shares, commissions and taxes are paid by the sub-fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the average dealing spread was 0.65% (2017: 0.58%).

16. SHARE RECONCILIATION

Reconciliation of the share movements in the year ended 30 Sep 2018

	A Accumulation	A Income	I Accumulation	I Income
Opening shares in issue	139,794	43,820	1,075,554	3,104,661
Creations during the year	11,784	10,672	106,360	916,437
Cancellations during the year	(33,166)	(10,293)	(955,500)	(696,943)
Closing shares in issue	118,412	44,199	226,414	3,324,155
			F Accumulation	F Income
Opening shares in issue			49,477,504	78,515,817
Creations during the year			5,303,698	18,939,777
Cancellations during the year			(6,404,475)	(1,594,346)
Closing shares in issue			48,376,727	95,861,248

17. FAIR VALUE HIERARCHY

Valuation technique	Assets		Liabilities	
	30 Sep 2018 (£)	30 Sep 2018 (£)	30 Sep 2017 (£)	30 Sep 2017 (£)
Quoted prices for identical instruments in active markets [^]	1,782,990	-	1,991,489	(30,360)
Valuation techniques using observable market data ^{^^}	219,137,234	(41,764)	222,082,019	(92,702)
Valuation techniques using non-observable data ^{^^^}	-	-	-	-
	220,920,224	(41,764)	224,073,508	(123,062)

[^] 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 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

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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 paid/accumulated 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 YEAR ENDED 30 SEPTEMBER 2018

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 29 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

Sterling Corporate Bond Fund

Distribution Tables (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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 paid/accumulated 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

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 April 2018

Group 2: shares purchased between 1 April 2018 and 30 April 2018

	Gross revenue (p)	Equalisation (p)	Distribution paid/accumulated 30 June 2018 (p)	Distribution paid/accumulated 30 June 2017 (p)
Share Class F – Accumulation				
Group 1	0.2966	–	0.2966	0.2512
Group 2	0.1644	0.1322	0.2966	0.2512
Share Class F – Income				
Group 1	0.2670	–	0.2670	0.2322
Group 2	0.1289	0.1381	0.2670	0.2322

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 May 2018

Group 2: shares purchased between 1 May 2018 and 31 May 2018

	Gross revenue (p)	Equalisation (p)	Distribution paid/accumulated 31 July 2018 (p)	Distribution paid/accumulated 31 July 2017 (p)
Share Class F – Accumulation				
Group 1	0.2831	–	0.2831	0.2979
Group 2	0.1365	0.1466	0.2831	0.2979
Share Class F – Income				
Group 1	0.2541	–	0.2541	0.2746
Group 2	0.0729	0.1812	0.2541	0.2746

Sterling Corporate Bond Fund

Distribution Tables (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 June 2018

Group 2: shares purchased between 1 June 2018 and 30 June 2018

	Gross revenue (p)	Equalisation (p)	Distribution paid/accumulated 31 Aug 2018 (p)	Distribution paid/accumulated 31 Aug 2017 (p)
Share Class F – Accumulation				
Group 1	0.2686	–	0.2686	0.2707
Group 2	0.1010	0.1676	0.2686	0.2707
Share Class F – Income				
Group 1	0.2406	–	0.2406	0.2492
Group 2	0.1013	0.1393	0.2406	0.2492

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 July 2018

Group 2: shares purchased between 1 July 2018 and 31 July 2018

	Gross revenue (p)	Equalisation (p)	Distribution paid/accumulated 30 Sep 2018 (p)	Distribution paid/accumulated 30 Sep 2017 (p)
Share Class F – Accumulation				
Group 1	0.2994	–	0.2994	0.2833
Group 2	0.1547	0.1447	0.2994	0.2833
Share Class F – Income				
Group 1	0.2676	–	0.2676	0.2604
Group 2	0.1812	0.0864	0.2676	0.2604

INTERIM DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 August 2018

Group 2: shares purchased between 1 August 2018 and 31 August 2018

	Gross revenue (p)	Equalisation (p)	Distribution paid/accumulated 31 Oct 2018 (p)	Distribution paid/accumulated 31 Oct 2017 (p)
Share Class F – Accumulation				
Group 1	0.2958	–	0.2958	0.2836
Group 2	0.1471	0.1487	0.2958	0.2836
Share Class F – Income				
Group 1	0.2637	–	0.2637	0.2600
Group 2	0.1264	0.1373	0.2637	0.2600

Sterling Corporate Bond Fund

Distribution Tables (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

FINAL DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 April 2018

Group 2: shares purchased between 1 April 2018 and 30 September 2018

	Gross revenue (p)	Equalisation (p)	Distribution paid/accumulated 30 Nov 2018 (p)	Distribution paid/accumulated 30 Nov 2017 (p)
Share Class A – Accumulation				
Group 1	24.3885	–	24.3885	23.3298
Group 2	12.9900	11.3985	24.3885	23.3298
Share Class A – Income				
Group 1	15.5066	–	15.5066	15.1069
Group 2	6.2567	9.2499	15.5066	15.1069
Share Class I – Accumulation				
Group 1	34.7224	–	34.7224	33.2191
Group 2	16.0053	18.7171	34.7224	33.2191
Share Class I – Income				
Group 1	20.4031	–	20.4031	20.0891
Group 2	10.0399	10.3632	20.4031	20.0891

FINAL DISTRIBUTION IN PENCE PER SHARE

Group 1: shares purchased prior to 1 September 2018

Group 2: shares purchased between 1 September 2018 and 30 September 2018

	Gross revenue (p)	Equalisation (p)	Distribution paid/accumulated 30 Nov 2018 (p)	Distribution paid/accumulated 30 Nov 2017 (p)
Share Class F – Accumulation				
Group 1	0.2632	–	0.2632	0.2527
Group 2	0.1069	0.1563	0.2632	0.2527
Share Class F – Income				
Group 1	0.2341	–	0.2341	0.2310
Group 2	0.1009	0.1332	0.2341	0.2310

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.

UCITS Remuneration Disclosure by Morgan Stanley Investment Management (ACD) Limited to Morgan Stanley Funds (UK)

1. LEGAL BACKGROUND

This remuneration disclosure has been prepared as required by, and in accordance with, the guidance provided in (1) EU Commission Recommendation on remuneration policies in the financial services sector (2009/384 EC) dated 30 April 2004 (“the **Recommendation**”); (2) EU Directive 2009/65/EC (as amended by Directive 2014/91/EU) (“the **UCITS Directive**”); and (3) the European Securities and Markets Authority’s “Guidelines on sound remuneration policies under the UCITS Directive”, (ESMA/2016/575) dated 14 October 2016 (“the **Guidelines**”) and in particular with section 14.1 (headed “External Disclosure”).

The data used in the analysis for this disclosure relates to the financial year ending 31 December 2017 of Morgan Stanley (“the **Firm**”) and to the remuneration of staff of Morgan Stanley Investment Management (ACD) Limited (“the **UCITS Management Company**”) and its senior management team and other members of its staff whose actions have a material impact on the risk profile of the UCITS it manages or on the UCITS Management Company itself.

2. THE “IDENTIFIED STAFF” FOR THE PURPOSES OF THIS DISCLOSURE

The Guidelines define “Identified Staff” as follows:

- a) “categories of staff, including senior management, risk takers, control functions, staff responsible for heading the investment management, administration, marketing, human resource functions and any employee receiving total remuneration that falls into the remuneration bracket of senior management and risk takers, whose professional activities have a material impact on the management company’s risk profile or the risk profiles of UCITS that it manages” (“**Group A**”); and
- b) “categories of staff of the entity(ies) to which investment management activities have been delegated by the management company and whose professional activities have a material impact on the risk profiles of the UCITS that the management company manages” (“**Group B**”).

References in this disclosure letter to “Identified Staff” or to staff in Group A or Group B, should be construed accordingly.

No Identified Staff are employed or paid by the UCITS Management Company itself (as it has no employees). All of the Identified Staff are employees of other Morgan Stanley entities whose professional activities are considered to have a material impact on the risk profile of the UCITS managed by the UCITS Management Company, taking into consideration the internal organisation, nature, scope and complexity of the UCITS Management Company and the UCITS it manages.

The Identified Staff within Group A are staff who have been seconded to the UCITS Management Company and who are, therefore subject to the FCA’s UCITS Remuneration Code at SYSC 19E.

The Identified Staff in Group B are staff of one of the Morgan Stanley group entities to which the portfolio management of one or more of the UCITS Management Company’s Funds has been delegated pursuant to Article 13 of the UCITS Directive. They are not seconded to, or performing a function of, the UCITS Management Company. Accordingly they are not staff of the UCITS “equally as effective” as those which apply to Group A or appropriate contractual arrangements are in place in line with paragraph 16(b) of the Guidelines.

3. PROCESS FOR DETERMINING REMUNERATION POLICIES AND PRINCIPLES

The UCITS Management Company, as an affiliate of Morgan Stanley, benefits from the resources available within the Firm and is subject to the remuneration policies and practices that are applied to all UK regulated entities of the Firm.

In determining, maintaining and implementing the UK remuneration policies and practices applicable to the UCITS Management Company, including Identified Staff, the UCITS Management Company is subject to the remuneration policies and practices that apply to all UK regulated entities of the Firm and may consult, or receive guidance from, the Firm’s control functions and relevant remuneration committees to ensure consistency. Remuneration policy is designed to satisfy four key Firm-wide remuneration objectives: (i) deliver pay for sustainable performance, (ii) align remuneration with shareholders’ interests, (iii) attract and retain top talent, and (iv) mitigate excessive risk-taking.

In support of these objectives, annual compensation (i.e. remuneration) for the majority of the Firm’s employees, including Identified Staff, is comprised of two key elements: fixed remuneration and variable remuneration (variable incentive compensation) that is discretionary based on, among other factors, Firm performance measured against risk-adjusted metrics and individual and business segment performance.

UCITS Remuneration Disclosure by Morgan Stanley Investment Management (ACD) Limited to Morgan Stanley Funds (UK) (continued)

The committee that manages remuneration for the Firm is the Compensation, Management Development and Succession Committee (CMDS Committee) of the Morgan Stanley Board of Directors. As of 31 December 2017, it consisted of five directors, all of whom are independent under the New York Stock Exchange listing standards. Each year, the CMDS Committee's mandate is to review the Firm-wide aggregate variable compensation pool for variable incentive compensation and to review and approve the design and structure of Morgan Stanley's Firm-wide deferred incentive compensation programs, including the form of deferred incentive compensation awards to be granted, the portion of variable incentive compensation to be deferred, and the vesting, payment, cancellation and clawback provisions of deferred incentive compensation awards. The CMDS Committee has adopted the Global Incentive Compensation Discretion Policy, which applies to all Firm entities worldwide and sets forth guidance for managers on the use of discretion and considerations for assessing risk management and outcomes when making variable incentive compensation decisions, and considerations for assessing risk management and outcomes. It has also approved the Global Compensation Policy which covers compensation philosophy and objectives, framework and governance.

In addition, the Board of the UCITS Management Company has adopted a remuneration policy (the "ACD Remuneration Policy") in compliance with the UCITS Directive and the Financial Conduct Authority's (FCA) Remuneration Code. The policy is also appropriate to the UCITS Management Company's size, and internal organization and to the nature, scope and complexity of its activities. As well as complying with all of the UCITS Management Company's legal obligations, the principles of the ACD Remuneration Policy support the business strategy, objectives, values and long-term interests of its clients, including the Fund. In particular, the ACD Remuneration Policy is designed to ensure that remuneration is consistent with and promotes sound and effective risk management and does not encourage risk taking that is inconsistent with the risk profile of the UCITS managed by the UCITS Management Company.

When determining its own remuneration decisions or influencing the decisions made by other Morgan Stanley entities, the UCITS Management Company takes fully into account and complies with (1) UK and EU legislation; (2) the ACD Remuneration Policy and FCA requirements; and (3) the requirements of other remuneration policies set by the Firm. In doing so, it applies consistent principles with the objective of aligning the incentivisation of Identified Staff with business objectives, supporting the delivery of the UCITS Management Company's business plans and corporate values, avoiding conflicts of interest and enabling the right calibre of staff to be recruited. The UCITS Management Company always seeks to ensure, therefore, that the remuneration principles applied by it and the Firm are consistent with and promote sound and effective risk management and do not encourage risk-taking that is inconsistent with the risk profiles, rules or instruments of incorporation of the UCITS managed by the UCITS Management Company.

The following considerations are taken into account in the design, implementation and oversight of the UCITS Management Company's remuneration policies and practices:

- Overall corporate governance principles and structures as well as their interactions with the remuneration system;
- The inputs provided by all control functions (i.e. human resources, risk management, compliance, internal audit, etc.), which will be properly involved in the design of the Remuneration Policy, as further described below; and
- The clear distinction between operating and control functions, the safeguards for preventing conflicts of interests and the internal reporting system.

4. INVOLVEMENT OF CONTROL FUNCTIONS IN RISK MANAGEMENT AND THE REMUNERATION THOSE OF CONTROL FUNCTIONS

The control functions of the Firm assist the UCITS Management Company in implementing its overall remuneration strategy, having regard to operational, liquidity, market and counterparty risks.

In particular:

- a. The Risk Management function helps to ensure that the structure and design of remuneration arrangements does not encourage risk taking that is inconsistent with the risk profile of the UCITS managed by the UCITS Management Company;
- b. The Human Resources and Compliance functions analyse how the remuneration structure affects the UCITS Management Company's compliance with legislation, regulations and internal policies;
- c. The Internal Audit function periodically carries out an independent audit of the design, implementation and effects of the Morgan Stanley's remuneration policies;

UCITS Remuneration Disclosure by Morgan Stanley Investment Management (ACD) Limited to Morgan Stanley Funds (UK) (continued)

- d. The EMEA Remuneration Oversight Committee (EROC) provides formal oversight of EMEA remuneration matters to ensure remuneration practices in EMEA are compliant with relevant UK and EU legislation and follow good practice standards. The membership of the EROC is made up of the EMEA control function heads as well as the EMEA Chief Executive Officer. EROC reviews activities of the UCITS Management Company that may lead to individual or collective adjustments of remuneration for its employees; and
- e. The UK Remuneration Committee was established with effect from 1 January 2017. It is appointed by the Board of Directors of Morgan Stanley International Limited (MSI) to assist in discharging its obligations in relation to remuneration matters of MSI and its subsidiaries (the Morgan Stanley UK Group) and identified material risk takers. Its remit includes reviewing the remuneration policies and practices of the UCITS Management Company in accordance with the Remuneration Code.

The Control Functions, including Risk Management, Compliance, Finance, Internal Audit, and Human Resources, along with Legal, are independent from the businesses they monitor. Those engaged in control functions are remunerated in accordance with objectives linked to their functions. This is independent of the UCITS they control. Potential conflicts that may arise in relation to individual compensation decisions are mitigated by the independent role of Human Resources in the year end compensation process.

5. DESIGN AND STRUCTURE OF REMUNERATION

Remuneration paid to Identified Staff is awarded in accordance with Morgan Stanley principles relating to remuneration. Annual compensation is comprised of two key elements: fixed remuneration and variable remuneration. Staff eligibility for annual incentive compensation (variable remuneration) is discretionary and subject to a multi-dimensional performance measurement, which considers, as applicable, the performance of the individual, the UCITS Management Company, the business segment and the Firm.

Identified Staff receive a total annual compensation package consisting of fixed pay that is comprised of base salary and, in certain circumstances, one or more allowances that are reviewed at least annually; and variable remuneration¹, payable partially as a cash bonus and partially in the form of deferred incentive compensation awards. The amount of variable incentive compensation is discretionary and is determined on the basis of, but not limited to, a variety of factors, including performance measured against risk-adjusted metrics and individual performance. It is possible that an individual could be awarded no variable incentive compensation. Deferred compensation awards are typically subject to vesting over a multi-year period and are subject to cancellation until the payment date for competition, cause (i.e., any act or omission that constitutes a breach of obligation to the Company, including failure to comply with internal compliance, ethics or risk management standards, and failure or refusal to perform duties satisfactorily, including supervisory and management duties), disclosure of proprietary information, and solicitation of employees or clients. Awards are also subject to malus until the payment date if an employee's act or omission (including with respect to direct supervisory responsibilities) causes a restatement of the Firm's consolidated financial results, constitutes a violation of the Firm's global risk management principles, policies and standards, or causes a loss of revenue associated with a position on which the employee was paid and the employee operated outside of internal control policies.

The UCITS Management Company competes for access to talent globally with investment management firms, private equity firms, hedge funds, investment banks, brokerage firms and other companies offering financial services, and the UCITS Management Company's ability to sustain or improve its position in this highly competitive environment depends substantially on its ability to continue to attract and retain the most qualified individuals. In support of the UCITS Management Company's recruitment and retention objectives, the Firm continually monitors competitive pay levels and structures its incentive awards to include, among other things, vesting, deferred payment and cancellation provisions that protect the UCITS Management Company's interests and align the interests of Identified Staff with those of the UCITS' investors.

The Firm's Global Incentive Compensation Discretion Policy requires compensation managers to consider only legitimate, business related factors when exercising discretion in determining variable incentive compensation, including adherence to Morgan Stanley's core values, conduct, disciplinary actions in the current performance year, risk management and risk outcomes. The policy specifically provides that all managers must consider whether or not an individual managed risk appropriately and effectively managed and supervised the risk control practices of his or her reports during the performance year. Compensation managers are trained on the Global Incentive Compensation Discretion Policy and are required to certify that they have followed the requirements of that policy and have escalated situations potentially requiring attention.

¹ The Firm does not award variable remuneration to a non-executive director for their non-executive director role.

UCITS Remuneration Disclosure by Morgan Stanley Investment Management (ACD) Limited to Morgan Stanley Funds (UK) (continued)

Other performance criteria that may be taken into account in deciding whether to award, and the amount of any variable incentive compensation to award, includes (but is not limited to):

- business and market conditions;
- individual conduct, including but not limited to, adherence to Morgan Stanley's code of conduct and policies;
- contribution to the performance and profitability of the business unit, the UCITS Management Company and Morgan Stanley;
- contribution to the strategic objectives of the UCITS Management Company, business unit, the Firm and the team;
- revenue and profitability of funds managed by a portfolio manager;
- assets managed by a portfolio manager; and
- contribution to client objectives.

6. QUANTITATIVE REMUNERATION DISCLOSURE²: SCOPE OF DISCLOSURE

We are required to disclose and include in this report certain aggregate remuneration details for (1) the entire staff of the UCITS Management Company³ and (2) the UCITS Management Company's senior management team and other members of its staff whose actions have a material impact on the risk profile of the UCITS the UCITS Management Company manages or on the UCITS Management Company itself⁴.

As explained above, however, the UCITS Management Company has no employees. Its staff are all secondees.

7. QUANTITATIVE REMUNERATION DISCLOSURE: FINANCIAL INFORMATION

The requisite remuneration information in respect of the 2017 financial year ending 31 December 2017, was as follows:

- a. The total fixed remuneration paid to the UCITS Management Company's staff was USD 22,531.
- b. The total variable remuneration (variable incentive compensation) paid to the UCITS Management Company's staff was USD 9,144.
- c. The number of individuals included as UCITS Management Company's staff was 11.
- d. The total remuneration (fixed and variable combined) paid to senior management and other members of staff whose actions have a material impact on the risk profile of the UCITS or on the UCITS Management Company itself was USD 31,675.

8. QUANTITATIVE REMUNERATION DISCLOSURE: RATIONALE FOR APPORTIONMENT

In calculating the "remuneration paid" to the staff in a) to d) above, we have, in accordance with the UCITS Directive and the Guidelines, adopted a proportionate approach and included the proportion of staff's total remuneration that is equivalent to the proportion of their 2017 working time that was spent working on UCITS related matters.

Morgan Stanley Investment Management (ACD) Limited
December 2018

² Identified Staff and their associated remuneration are not allocated to individual UCITS so a breakdown by UCITS Fund does not exist and is not readily available.

³ Article 69 (3) (a) of the UCITS Directive.

⁴ Article 69 (3) (b) of the UCITS Directive and section 14 of the Guidelines.

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 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, there is no minimum initial investment with no minimum for additional investment. For Class I shares there is no minimum initial investment with no minimum for additional investment.

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.

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

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