SMP Sterling Roll-Up Fund PLC

Abbreviated Annual Report for the year ended 31 August 2020

Manager
Suntera Fund Services (IOM) Limited
Clinch's House, Lord Street, Douglas
Isle of Man, IM99 1RZ
British Isles

General Information

Directors
W J Clarke* (Chairman)
G M Easton*
R K Corkill
S W Bowden
*denotes Non-executive Director

Company Secretary
R K Corkill

Registered office:
Clinch's House, Lord Street, Douglas
Isle of Man, IM99 1RZ
British Isles

Manager and Registrar
Suntera Fund Services (IOM) Limited
Clinch's House, Lord Street, Douglas
Isle of Man, IM99 1RZ
British Isles

Investment Manager
Aberdeen Asset Managers Limited
10 Queen's Terrace
Aberdeen, AB10 1YG
British Isles

Fiduciary Custodian
Apex Financial Services (Corporate) Limited
12 Castle Street, St Helier
Jersey JE2 3RT
British Isles

Auditor
PricewaterhouseCoopers LLC
Sixty Circular Road, Douglas
Isle of Man, IM1 1SA
British Isles

Manager's Report

Introduction

As detailed in the previous section entitled 'General Information', SMP Sterling Roll-Up Fund PLC (the "Fund") is managed by Suntera Fund Services (IOM) Limited (the "Manager") and the investment manager is Aberdeen Asset Managers Limited (the "Investment Manager"). That section also details the Directors, the Company Secretary, the Fiduciary Custodian and the Auditor.

The Fund is an Authorised Scheme for the purposes of the Collective Investment Schemes Act 2008. The Fund is established as an open-ended investment company and is managed in the Isle of Man under the Companies Acts 1931 to 2004 and in accordance with the Authorised Collective Investment Schemes Regulations 2010 (the "Regulations"). The Fund has elected to be a type A scheme for the purpose of the Regulations. In accordance with the Regulations, the Fund complies with the Statement of Recommended Practice for Authorised Funds issued by the Investment Association in May 2014 (the "SORP"). The Fund was originally established and authorised on 28 January 1993.

The term 'roll-up fund' from which the Fund's name is derived, describes a fund which retains its income and gains within the fund in order to enhance the capital value of the fund and hence is reflected in the share price. Therefore no dividends are paid to shareholders. Roll-up funds can have considerable administrative advantages to investors who do not require a regular income from their investments and prefer to accumulate income within their investment without the need to re-invest dividends.

Important information

The full version of the Annual Report & Audited Financial Statements for the year ended 31 August 2020 may be viewed on our website - www.suntera.com and is available for inspection at the registered office of the Fund. The website also provides daily pricing information for the Fund.

If shareholders have any questions regarding the Fund please contact our Shareholder Services Team on 01624 682224 - or by email to fund.services@suntera.com.

Investment objective, policy and strategy

The purpose of the Fund is to provide investors with a high return, before taxation, from a managed portfolio of fixed-interest securities, denominated in sterling, with all income being accumulated in the price of shares.

Investment Manager's overview for the year ended 31 August 2020

Market review

Corporate bond returns were positive over the period, largely fuelled by falling government bond yields across developed markets. Investment-grade issues saw solid returns, while the high-yield sector was more turbulent. Covid-19 hit economies and companies in 2020, leading to fears over the creditworthiness of the high-yield sector.

Gilt yields rose in November and December 2019, driven by improving global macroeconomic data, the US and China closing in on a trade deal, and the UK general election out of the way. The mood changed abruptly in January. As the scale of China's coronavirus outbreak became apparent, markets looked at its potential effect on global growth prospects.

Market review (continued)

Boosted by a subsequent large downward move in government bond yields, returns for sterling corporate bonds were strong in January. However, they suffered in February on investors' perception of corporate bonds as higher-risk assets. Investment-grade corporate bonds were badly hit in March, faced with the double effect of the coronavirus and a precipitous fall in the oil price. High-yield and emerging-market bonds fared even worse, with the former pricing in a significant rise in default rates over the coming months. Since April, there has been a broad recovery and stabilisation. Moreover, the Federal Reserve has invested in the US credit market, with this support reverberating to sterling and euro bonds.

Although credit-market performance was strong in July, August has seen the first signs of correction. Government bond yields have begun to rise, which has partially hit credit markets. Meanwhile, US high-yield bonds outperformed investment grade issues – as low yields pushed investors towards lower-quality issues.

Performance and activity of the Fund

The Fund outperformed the market over the 12-month period. Real estate was a positive for the Fund, notably from housing associations like Peabody or London and Quadrant, but also Annington Finance, Tesco Property and the Housing Finance Corporation. However other real estate names lagged, including Meadowhall, UPP and Hammerson. Exposure to credit risk was rewarding in this period, in particular bank and insurance bonds that rallied after the UK general election.

This trend continued into early 2020, with financial sector issuers performing well, but markets fell sharply as the coronavirus took hold. Markets began to recover in May but with divergence by sector. The European Investment Bank performed poorly over the period, despite its rally early in 2020.

The Fund outperformed over the summer months, as lower-rated credit rose in the risk-positive market. The Fund's exposure to UK airport Heathrow and Gatwick rose when the government began easing lockdowns. However, Gatwick was a negative contributor over the period as a whole. Similarly, Hammerson and National Express began to recover. Long exposure to the financial sector, particularly UK banks, also contributed positively to returns. The Fund's exposure to UK government bonds, held for liquidity and duration-management purposes, detracted from returns.

In terms of activity, we added a position in AB InBev, a global brewing group, and participated in new issues from National Express and Fidelity National Information early in the period. But as the coronavirus became recognised as a problem in early 2020, we began selling holdings with sensitivity to virus disruption. This included General Motors, whose supply chain is exposed to China, as well as travel sector issuers like Intercontinental Hotels and Heathrow. Once markets stabilised in the second quarter of 2020, we sold positions to reinvest into gilts, to improve liquidity and reduce credit risk. This included Severn Trent and EDF.

In the second quarter, we used price weakness as an opportunity to buy – including Southern Water and a new issue from BP. Recently, we trimmed our holdings in brewer AB InBev and supermarket group Morrisons, both have performed strongly over the coronavirus pandemic. Over the summer months, we added a new position in Next, which has shown resilience due to its large online business. We bought Eversholt Rail and a new issue from National Grid but sold América Móvil due to the downgrade risk.

In the financial sector, we reduced our exposure in late 2019, selling down M&G and Barclays. This continued in early 2020; we sold down HSBC in February due to political unrest in Hong Kong and mounting concern over the coronavirus. We bought a Barclays 10% 2021 bond due to its short-dated nature and high yield with low default risk, and some attractively priced Royal Bank of Canada 2026 bonds. In recent months, we have added a position in Credit Suisse and Danske Bank.

Outlook*

We remain positive on credit given that there are plenty of technical tailwinds to help markets. The Bank of England may have stopped buying for now, but there is every expectation it will have to start up again in early 2021 once markets have felt any impact from Brexit at the year-end. Sterling markets offer investors a modest real return even if all they receive is yield. On that basis, they still look attractive to international and domestic buyers alike. Lastly, many companies are now talking more about balance-sheet repair than expansion. This should help them avoid the worst impacts of a rise in Covid-19 infections and a return to stricter measures to control the spread of the virus.

*Investment markets and conditions can change rapidly and as such, the views expressed should not be taken as statements of fact nor should reliance be placed on these views when making investment decisions.

R K Corkill
Director
Suntera Fund Services (IOM) Limited 30 November 2020

Comparative Table

Change in net asset value per share

	2020 p	2019 p	2018 p
Opening net asset value per share	433.91	398.76	404.71
Return before operating charges*	14.30	39.21	(1.69)
Operating charges	(4.88)	(4.06)	(4.26)
Return after operating charges*	9.42	35.15	(5.95)
Distributions on preference shares	-	-	-
Closing net asset value per share	443.33	433.91	398.76
*after direct transaction costs of	0.04	0.03	0.08

Performance

	2020	2019	2018
Return after charges	2.17%	8.81%	(1.47)%

Other information

	2020	2019	2018
Closing net asset value	£17,092,547	£18,770,742	£19,400,964
Closing number of shares	3,855,492	4,325,991	4,865,357
Operating charges	1.13%	0.98%	1.06%
Direct transaction costs	0.008%	0.008%	0.021%

Additional comparative table disclosures required by the Authorised Collective Investment Schemes Regulations 2010:

Performance record for the year ended

	Highest share price p	Lowest share price p	Net allocation per share* p
31 August 2016	431.57	349.41	51.35
31 August 2017	429.66	379.16	(2.81)
31 August 2018	430.02	392.54	(6.47)
31 August 2019	434.11	390.59	34.04
31 August 2020	448.14	391.66	8.51

**Net allocation per share is based on average shares in issue during the year.*

Net asset value record

	Net asset value of participating shares £	Shares in issue	Cancellation price per share p
31 August 2018	19,400,964	4,865,357	398.76
31 August 2019	18,770,742	4,325,991	433.91
31 August 2020	17,092,547	3,855,492	443.33

Ongoing charges figure ("OCF") for the year ended

	OCF*
31 August 2018	1.06%
31 August 2019	0.98%
31 August 2020	1.13%

**The OCF is the total expenses paid by the Fund in the year expressed as a percentage of the Fund's average net asset value.*

Details of investments

	% of Fund's property 31.08.2020	% of Fund's property 31.08.2019
Government bonds	4.91	1.91
Corporate bonds	93.51	96.15
Bank balances	1.58	1.94
	100.00	100.00

A credit quality analysis is disclosed below in accordance with paragraph 3.84 of the SORP:

Credit quality analysis

	Market value at 31.08.2020 £	Market value at 31.08.2019 £
Investment grade	16,477,053	18,052,177
Non-investment grade	141,714	205,645
Total debt securities	16,618,767	18,257,822

Top five holdings

Asset description	% of Fund's property 31.08.2020	Asset description	% of Fund's property 31.08.2019
1. United Kingdom Gilt 4.5% 07/12/2042	2.93	1. Transport for London 2.125% 24/04/2025	2.86
2. Transport for London 2.125% 24/04/2025	2.53	2. Electricite de France SA 6.25% 30/05/2028	1.86
3. United Kingdom Gilt 0.875% 22/10/2029	1.98	3. HSBC Holdings PLC 2.256% 13/11/2026	1.58
4. National Grid Electricity 1.125% 07/07/2026	1.47	4. European Investment Bank 5.375% 07/06/2021	1.45
5. SNCF RESEAU 4.83% 25/03/2060	1.45	5. SNCF RESEAU 4.83% 25/03/2060	1.34

This Abbreviated Annual Report for the year ended 31 August 2020 was approved and authorised for issue by the Directors of the Fund on 30 November 2020.

R K Corkill
Director

S W Bowden
Director

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