



SUNTERA
GLOBAL

Suntera High Income Fund PLC

(formerly SMP High Income Fund PLC)

Unaudited Abbreviated Interim Report
for the six month period ended 31 March 2021

Manager
Suntera Fund Services (IOM) Limited
(formerly SMP Fund Services 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', Suntera High Income 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 3 March 1989.

Important information

The Unaudited Interim Financial Statements for the six-month period ended 31 March 2021 (together with the Unaudited Abbreviated Interim Report for the six-month period ended 31 March 2021 that has been sent to all registered shareholders) 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 income, before taxation, from a managed portfolio of fixed-interest securities, denominated in sterling and other currencies, with net income distributed on a quarterly basis.

Investment Manager's overview for the six-month period ended 31 March 2021

Market review

The coronavirus pandemic, economic factors and politics continued to dominate global markets throughout the review period. Worldwide Covid-19 vaccine rollouts raised hopes of a return to normality, and monetary and fiscal stimulus further supported markets. These offset fears of vaccine-resistant Covid-19 variants, but fuelled new concerns around rising inflation, which weighed heavily on global bond markets. US government bonds suffered the most, while high-yield (lower-rated) bonds outperformed.

Sterling corporate bonds started off well and saw positive returns during the first half of the review period. They outperformed gilts and global bonds in the last quarter of 2020. On the political front, the narrow avoidance of a 'no-deal' Brexit in December was positive for sentiment, as was the US election in November, which was seen as supportive of increased US fiscal stimulus and global growth.

Market review (continued)

However, 2021 performance-to-date, particularly in February, more than offset earlier gains. The sell-off came amid rising inflation concerns, resulting from the large US stimulus package, and in anticipation of the lifting of lockdown restrictions. Longer-dated, higher-quality names underperformed. Investors sold more duration-sensitive instruments where credit spreads looked expensive after the rally in the second half of last year and after the Bank of England corporate purchase scheme. Sectors that were affected included telecoms and utilities. On the other hand, subordinated financials, corporate hybrids and issuers in coronavirus-affected sectors outperformed. Sterling issues outperformed their global peers and fared better than government debt, but still fell over the quarter and, consequently, the review period.

In terms of individual securities, the six-month period was more beneficial for assets that have been most adversely affected by the pandemic, especially following the global rollout of vaccination programmes. Accordingly, high-yield debt outperformed investment-grade issues.

Performance and activity of the Fund

Over the six-month period, the Fund outperformed the benchmark. This was mainly due to security selection, most notably in transportation, banking and, to a lesser degree, the retail sector. Asset allocation also contributed, particularly the overweight exposure to real estate, subordinated and Tier-1 debt. Meanwhile, underweight exposure to financials detracted from relative performance. In terms of individual securities, exposure to a long-dated Mexican Government bond, Stagecoach (transportation) and Virgin Money (banking) contributed to performance. Conversely, exposure to SNCF (transportation), Getlink (transportation) and DS Smith (capital goods) detracted from performance.

Regarding activity, we initiated a number of trades in the insurance sector throughout the review period. Early on, looking to recycle low-yielding assets into better-value new issues, we sold the Fund's position in the Commonwealth Bank of Australia and reinvested into Pension Insurance Corporation (as well as Verizon Communications). We purchased new issues from US-based insurer Athene and added to our position in Aviva. After the new year, we also sold out of the Australian insurer QBE, after a strong run from the bonds left it expensive, versus other insurance groups. We also started to sell down the Fund's exposure to the French insurer AXA. We plan to replace this with an insurer from Italy that we believe has better performance prospects – once we are able to source this.

Trading in the last quarter of 2020 was largely based on positive newsflow related to Covid-19 vaccine trials and Joe Biden's victory in the presidential election in November. We purchased BHP Billiton in November to benefit from the cyclical upswing that was underway in most economies. We also added a position in Mexican bonds at the very long end (matures in 2114), due to our belief that the Mexican Government would have a better relationship with the incoming US administration. This paid off, as the holding was the Fund's top contributor to performance over the six-month period. We sold some exposure to Heathrow after a strong recovery in spreads during November. This recovery left the group looking expensive, despite the optimistic outlook for the airport sector. We also took a new issue from the industrial group Toyota. We funded December issues from sales of Scottish Hydro and Yorkshire Energy bonds. Both bonds were expensive in the Fund and had performed well. We ended the year by adjusting duration lower with a gilt sale, in anticipation of rising yields in the UK.

After the new year, we purchased new issues from BNP Paribas and Motability. March saw the Fund facing heavy outflows, with the cost of selling bonds to fund these weighing on performance. It should be noted, however, that most of that cost will have been borne by the exiting client receiving the bid price for the Fund. Outside of sales to fund the outflows and post-adjustments, there were very few transactions on the remaining positions.

Outlook*

Credit spreads continue to trade toward the tight end of longer-term ranges, but markets are still attracting buyers. An environment of low government yields seems likely to persist for the time being, which should help sentiment. A break towards 2% on US Treasuries would, however, make valuations less attractive. While defaults in the high-yield market remain low and credit quality stable, fundamentals are supportive. A boost from fiscal stimulus and low volatility in financial markets is also helping sentiment.

*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

14 May 2021

Comparative Table

Change in net asset value per share

	2021* p	2020 p	2019 p
Opening net asset value per share	57.70	57.15	53.62
Return before operating charges**	(0.32)	2.51	5.63
Operating charges	(0.31)	(0.56)	(0.49)
Return after operating charges**	(0.63)	1.95	5.14
Distributions on preference shares	(0.62)	(1.40)	(1.61)
Closing net asset value per share	56.45	57.70	57.15

*For the six-month period ended 31 March 2021

**after direct transaction costs of

0.005	0.003	0.004
-------	-------	-------

Performance

	2021*	2020	2019
Return after charges	(1.09)%	3.41%	9.59%

Other information

	2021*	2020	2019
Closing net asset value	£14,938,842	£32,344,373	£33,980,283
Closing number of shares	26,463,452	56,058,278	59,455,542
Operating charges	0.53%	0.98%	0.89%
Direct transaction costs	0.008%	0.005%	0.007%

Significant event

On 5 March 2021 RL 360 Life Insurance Company Limited, the Fund's largest shareholder, redeemed shares which amounted to 50.87% of the Fund's total shares in issue at that date.

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

Performance record

	Highest share price p	Lowest share price p	Net distribution per share* p
01.10.2016 to 30.09.2017	61.28	54.67	1.91
01.10.2017 to 30.09.2018	56.52	53.71	1.63
01.10.2018 to 30.09.2019	58.00	52.98	1.61
01.10.2019 to 30.09.2020	58.63	51.39	1.40
01.10.2020 to 31.03.2021	59.58	56.36	0.62

*Net distribution per share is based on average shares in issue during the year/period.

Net asset value record

	Net asset value of participating shares £	Shares in issue	Cancellation price per share p
30 September 2019	33,980,283	59,455,542	57.15
30 September 2020	32,344,373	56,058,278	57.70
31 March 2021	14,938,842	26,463,452	56.45

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

	OCF*
30 September 2018	0.95%
30 September 2019	0.89%
30 September 2020	0.98%
31 March 2021**	1.06%

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

** Charges in the six-month period ended 31 March 2021, annualised.

Details of investments

	% of Fund's property 31.03.2021	% of Fund's property 30.09.2020
Government bonds	12.31	7.96
Corporate bonds	79.66	89.00
Bank balances	8.03	3.04
	<u>100.00</u>	<u>100.00</u>

Top five holdings

Asset description	% of Fund's property 31.03.2021	Asset description	% of Fund's property 30.09.2020
1. United Kingdom Gilt 2.75% 07/09/2024	5.81	1. United Kingdom Gilt 2.75% 07/09/2024	5.53
2. United Kingdom Gilt 0.125% 31/01/2028	2.38	2. United Kingdom Gilt 4.25% 07/12/2046	1.67
3. Western Power Distribution West Midlands PLC 5.75% 16/04/2032	1.84	3. SNCF RESEAU 4.83% 25/03/2060	1.46
4. Barclays PLC 3% 08/05/2026	1.52	4. Welltower Inc 4.8% 20/11/2028	1.43
5. Welltower Inc 4.8% 20/11/2028	1.51	5. Barclays Plc 3% 08/05/2026	1.41

This Unaudited Abbreviated Interim Report for the six-month period ended 31st March 2021 was approved and authorised for issue by the Manager.

R K Corkill
Director

S W Bowden
Director

Suntera Fund Services (IOM) Limited
14 May 2021

This page is intentionally blank



SUNTERA
GLOBAL

suntera.com