



SUNTERA
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SMP High Income Fund PLC

Abbreviated Annual Report for the year ended 30 September 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 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 full version of the Annual Report & Audited Financial Statements for the year ended 30 September 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 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 year ended 30 September 2020

Market review

Corporate and government 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.

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 major central banks have all purchased corporate bonds through their stimulus programmes.

Market review (continued)

Bond issuance has been high, with many companies taking advantage of low yields to refinance debt or raise funds to cushion economic uncertainty. But bond prices began to fall in September – investors sold out of riskier debt, concerned about the potential for rising defaults in an uncertain economy.

Performance and activity of the Fund

The Fund outperformed the market over the 12-month period. Real estate has been one of our top-performing sectors, notably housing developer London & Quadrant. Banks and the technology, media and telecoms sector have also been positive for the Fund. Conversely, transport sector holdings have been the biggest detractor for the Fund – Gatwick and Heathrow airport bonds were hit when Covid-19 hit the transportation sector.

Looking at activity, in early 2020 we sold down holdings with Covid-19 sensitivity, including Intercontinental Hotels and Heathrow. In the second quarter, we used price weakness as an opportunity to buy – including a new issue from BP, selling Mexican telecoms firm América Móvil. Recently we trimmed our holdings in brewer AB InBev, Tritax Big Box REIT and supermarket group Morrisons, which have performed strongly over the coronavirus pandemic. We added a new position in Next, which has shown resilience due to its large online business.

We reduced our holding to the financial sector in late 2019, selling down M&G and Barclays. This continued in early 2020, when we reduced our exposure to HSBC in February, due to political unrest in Hong Kong and mounting concern over the coronavirus. We bought Barclays 10% 2021 bond due to its short-dated nature and very high yield given little default risk, and some attractively priced Royal Bank of Canada 2026 bonds. In recent months, we have added a position in Danske Bank and bought HSBC Tier 2 bonds, both of which had traded at low levels. In addition, we bought a new issue by Virgin Money.

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

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Comparative Table

Change in net asset value per share

	2020 p	2019 p	2018 p
Opening net asset value per share	57.15	53.62	55.48
Return before operating charges*	2.51	5.63	0.29
Operating charges	(0.56)	(0.49)	(0.52)
Return after operating charges*	1.95	5.14	(0.23)
Distributions on preference shares	(1.40)	(1.61)	(1.63)
Closing net asset value per share	57.70	57.15	53.62
*after direct transaction costs of	0.003	0.004	0.004

Performance

	2020	2019	2018
Return after charges	3.41%	9.59%	(0.41)%

Other information

	2020	2019	2018
Closing net asset value	£32,344,373	£33,980,283	£34,402,323
Closing number of shares	56,058,278	59,455,542	64,154,434
Operating charges	0.98%	0.89%	0.95%
Direct transaction costs	0.005%	0.007%	0.008%

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 distribution per share* p
30 September 2016	62.81	51.70	1.91
30 September 2017	61.28	54.67	1.91
30 September 2018	56.52	53.71	1.63
30 September 2019	58.00	52.98	1.61
30 September 2020	58.63	51.39	1.40

*Net distribution 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
30 September 2018	34,402,323	64,154,434	53.62
30 September 2019	33,980,283	59,455,542	57.15
30 September 2020	32,344,373	56,058,278	57.70

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

	OCF*
30 September 2018	0.95%
30 September 2019	0.89%
30 September 2020	0.98%

*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 30.09.2020	% of Fund's property 30.09.2019
Government bonds	7.96	1.86
Corporate bonds	89.00	96.79
Bank balances	3.04	1.35
	<u>100.00</u>	<u>100.00</u>

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

Credit quality analysis

	Market value at 30.09.2020 £	Market value at 30.09.2019 £
Investment grade	30,279,525	32,636,424
Non-investment grade	898,234	961,096
Total debt securities	<u>31,177,759</u>	<u>33,597,520</u>

Top five holdings

Asset description	% of Fund's property 30.09.2020	Asset description	% of Fund's property 30.09.2019
1. United Kingdom Gilt 2.75% 07/09/2024	5.53	1. European Investment Bank 5.375% 07/06/2021	2.53
2. United Kingdom Gilt 4.25% 07/12/2046	1.67	2. Welltower Inc 4.8% 20/11/2028	1.39
3. SNCF RESEAU 4.83% 25/03/2060	1.46	3. Equity Release Funding Plc 5.05% 26/04/2033	1.35
4. Welltower Inc 4.8% 20/11/2028	1.43	4. SNCF RESEAU 4.83% 25/03/2060	1.35
5. Barclays Plc 3% 08/05/2026	1.41	5. European Investment Bank 4.25% 07/12/2021	1.23

This Abbreviated Annual Report for the year ended 30 September 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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