SUNTERA GLOBAL

Suntera Sterling Roll-Up Fund PLC

Abbreviated Annual Report
for the year ended 31 August 2021

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', Suntera 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 2021 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 2021

Market review

Corporate bond returns were positive over the period. Investment-grade corporate bonds started the period under pressure, faced with the double effect of Covid-19 and weak oil prices. However, since then, there has been a broad recovery. Moreover, the major central banks all purchased corporate bonds through their stimulus programmes.

Corporate bonds struggled slightly in September and October 2020 as investors sold out of riskier debt, concerned about the potential for rising defaults amid uncertainty from rising Covid-19 cases and the US election. November saw the upward trend resume on positive news flow stemming from vaccine breakthroughs and a likely Biden presidency (that later materialised). This extended into the end of 2020, driven by vaccine optimism, the Brexit trade deal agreement and US stimulus package.

Market review (continued)

Rising US Treasury yields at the beginning of 2021 affected most financial markets. However, corporate bonds managed to weather the storm somewhat. As government bond yields stabilised, this positive performance continued into the end of the period, even as the US Federal Reserve said it would begin offloading corporate bonds bought through its pandemic support plan.

Performance and activity of the Fund

Over the 12-month period, the Fund outperformed the benchmark. This was mostly due to positive security selection – particularly in banking, retail and transportation. Meanwhile, asset allocation also contributed slightly, as the overweighting of real estate, Tier-1 debt and insurance more-than-offset the negative contribution from the underweighting of financial services, government-related debt and lower Tier-2 debt. With regard to stock selection, exposure to Virgin Money (lower Tier-2 and banking), CPUK Finance and Next Group (retail), Stagecoach Group (transport) and Quadgas (the ultimate owner of British Gas) boosted performance. Conversely, Channel Link Enterprises and Réseau Ferré de France (transport) and Digital Stout (real estate), largely detracted.

Regarding activity, we sold Tritax Big Box REIT at the start of the review period, believing that its strong performance during the Covid-19 pandemic had left it looking expensive. We replaced it with positions in HSBC Tier-2 bonds at the longer end, and also bought a new issue by Virgin Money. 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 Verizon Communications.

We initiated several trades in the insurance sector throughout the review period. We purchased new issues from US-based insurer Athene – extending their maturity at a later stage for a modest increase in yield – 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.

In December, we participated in a new issue from the industrial group Toyota. We funded December purchases by selling Yorkshire Energy, which was 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. In March, the Fund suffered a significant redemption from its largest shareholder RL360 Life Insurance Company Limited which necessitated the sale of approximately 35.9% of the Fund’s portfolio. It should be noted that the cost of this was borne by the exiting shareholder receiving the bid price for the Fund. In May, we sold the position in DS Smith, the paper and packaging group. This was after decent performance from the group over the last couple of years left it looking rich in credit markets. We later sold our position in Quadgas. The move to reduce carbon in the home heating market in the UK over the next few decades will be very expensive, and it is not clear where that expense will ultimately lie. In the meantime, the bonds had performed well, but did not reflect the risks we saw from this transition. Finally, we sold positions in British Land after a recovery rally in the bonds took the level well through the end of 2019 spread levels. This left bonds offering limited value compared with our assessment of the business.

Outlook*

Unsurprisingly, investment-grade credit remains far from cheap at current levels. With lower carry available and greater scope for monetary policy action and/or policy error, investment-grade markets feel more fragile than they have done for some time. Overall fundamentals remain constructive, although idiosyncratic risks have picked up due to both Covid-19 and merger and acquisition events. It appears prudent to pare back exposures in the near term, although the technical backdrop remains a pillar of support.

*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.

Future of the Fund

Since a significant shareholder redemption in March 2021 the increased percentage of ongoing fixed costs are detracting from investment returns. The Manager, working closely with the Fund Board, Investment Manager and Fiduciary Custodian, has tried to identify new sources of investment into the Fund and explore alternative options to secure its future. On the basis the Directors of the Fund are of the opinion, that in the likely event of no viable solution being identified, the Fund would close, it is the Manager's expectation that the Fund would be closed within 12 months of these financial statements. An update will be provided to shareholders in due course.

S W Bowden
Director
Suntera Fund Services (IOM) Limited 16 December 2021

Comparative Table

Change in net asset value per share

	2021 p	2020 p	2019 p
Opening net asset value per share	443.33	433.91	398.76
Return before operating charges*	13.33	14.30	39.21
Operating charges	(5.93)	(4.88)	(4.06)
Return after operating charges*	7.40	9.42	35.15
Distributions on preference shares	-	-	-
Closing net asset value per share	450.73	443.33	433.91
*after direct transaction costs of	0.05	0.04	0.03

Performance

	2021	2020	2019
Return after charges	1.67%	2.17%	8.81%

Other information

	2021	2020	2019
Closing net asset value	£10,396,325	£17,092,547	£18,770,742
Closing number of shares	2,306,557	3,855,492	4,325,991
Operating charges	1.32%	1.13%	0.98%
Direct transaction costs	0.010%	0.008%	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 allocation per share* p
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
31 August 2021	461.12	436.29	5.04

**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 2019	18,770,742	4,325,991	433.91
31 August 2020	17,092,547	3,855,492	443.33
31 August 2021	10,396,325	2,306,557	450.73

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

	OCF*
31 August 2019	0.98%
31 August 2020	1.13%
31 August 2021	1.32%

**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 31.08.2021	% of Fund's property 31.08.2020
Government bonds	14.49	4.91
Corporate bonds	77.13	93.51
Bank balances	8.38	1.58
	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 31.08.2021 £	Market value at 31.08.2020 £
Investment grade	9,357,557	16,477,053
Non-investment grade	80,349	141,714
Total debt securities	9,437,906	16,618,767

Top five holdings

Asset description	% of Fund's property 31.08.2021	Asset description	% of Fund's property 31.08.2020
1. United Kingdom Gilt 4.75% 07/12/2030	6.01	1. United Kingdom Gilt 4.5% 07/12/2042	2.93
2. United Kingdom Gilt 4.25% 07/03/2036	3.84	2. Transport for London 2.125% 24/04/2025	2.53
3. United Kingdom Gilt 1.625% 22/10/2071	3.07	3. United Kingdom Gilt 0.875% 22/10/2029	1.98
4. National Grid Electricity 1.125% 07/07/2028	2.35	4. National Grid Electricity 1.125% 07/07/2028	1.47
5. Svenska Handelsbanken AB 1.625% 18/06/2022	2.01	5. SNCF RESEAU 4.83% 25/03/2060	1.45

This Abbreviated Annual Report for the year ended 31 August 2021 was approved and authorised for issue by the Directors of the Fund on 16 December 2021.

R K Corkill
Director

S W Bowden
Director

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