

Santander Sterling Bond Portfolio

Prospectus changes following updates to Fund Documents -

effective from 6 December 2021

The table below shows the previous disclosure for the Fund's investment objective, investment policy and further information, as set out in the Prospectus, compared to the updated version.

Santander Sterling Bond Portfolio (renamed from "Santander Investment Portfolio" from the Effective Date)

| | Previous | Updated |
|-----------------------------|--|---|
| Investment Objective | <p>The Fund's objective is to provide a combination of capital growth and income over a 5+ year time horizon.</p> | <p>The Fund's objective is to provide a combination of capital growth (to grow the value of your investment) and income over a 5+ year time horizon.</p> <p>The Fund will aim to outperform (after the deduction of fees) the following Target Benchmark measured over a rolling 3 year time period: 90% Markit iBoxx Sterling Non Gilts Index TR and 10% FTSE Actuaries UK Conventional Gilts All Stocks Index TR.</p> <p>It is expected that average outperformance for the Fund will typically not be greater than 0.25% per annum (after the deduction of fees) in excess of the Target Benchmark measured over a rolling 3 year period, although no level of outperformance is guaranteed.</p> |
| Investment Policy | <p>The Fund aims to achieve its objective by investing in a wide range of bonds issued by companies and governments and denominated in Pounds Sterling.</p> <p>To obtain exposure to these assets, the Fund will invest indirectly by purchasing units in Collective Investment Schemes managed by other companies and / or the ACD or other companies within the Santander Group. The Fund may also invest directly.</p> <p>The ACD has the discretion to manage the Fund according to its investment views and opportunities identified as market and economic conditions change. It will select investments that it believes will best achieve the Fund's objective. An assessment will be completed on all investment opportunities before any investment decisions are made.</p> <p>At least 70% of the Fund will at all times be invested in the asset classes described above, but it has the flexibility to invest in other assets globally, such as shares, cash, near cash and other money market instruments.</p> <p>The Fund may use Derivatives for Efficient Portfolio Management.</p> | <p>The Fund is actively managed (by the appointed Sub-Investment Manager) and aims to achieve its objective by investing at least 95% in bonds.</p> <p>The Fund invests:</p> <ul style="list-style-type: none"> a minimum of 70% in bonds issued by companies, supranationals, and other non-sovereign entities; and a maximum of 30% in bonds issued by governments (typically these will be bonds issued by the UK Government). <p>The Fund may invest globally (including up to 5% in non-developed markets) but at least 95% of its investments must be denominated in or Hedged to Pounds Sterling, and at least 70% denominated in Pounds Sterling.</p> <p>At least 90% of the Fund's investments will be in bonds which are, at the time of purchase, investment grade. Up to 10% of the Fund can be in those which are at the time of purchase, sub-investment grade and up to 5% can be unrated (where the Sub-Investment Manager will determine whether the bonds have quality equivalent to investment grade or sub-investment grade).</p> <p>The Fund's investment in bonds can include those which are "non-standard" (up to 30% of the Fund). These may, for example, be bonds which can make payments earlier than their target maturity date, or have terms where the principal amount of the bond can be paid back over the term of the bond, instead of being paid at the bond's maturity date, or asset backed or mortgage backed securities (investments whose return is generated from and backed by a basket of debt, for example mortgages). With regard to asset backed and mortgage backed securities, exposure will be limited to 5% of the Fund.</p> <p>The Fund's investment in bonds can also include (up to 20% of the Fund) those which are "index linked" (bonds which have their coupon payments adjusted for inflation by linking the</p> |

| | |
|--|---|
| | <p>payments to an inflation indicator), although this is not a key part of the Fund's investment strategy.</p> <p>The Fund invests directly in bonds, and not indirectly by purchasing units in Collective Investment Schemes.</p> <p>The Fund may also invest up to 5% in cash, cash like and other money market instruments.</p> <p>The Fund may use Derivatives for Efficient Portfolio Management (including hedging), where Derivatives are used to either reduce risk, reduce cost, or to generate additional capital or income without materially affecting the risk profile of the Fund.</p> <p>Investment Strategy and Process</p> <p>The ACD has appointed one Sub-Investment Manager, based on their expertise, to manage the entire Fund and has put in place investment guidelines which the Sub-Investment Manager must follow.</p> <p>The ACD has in place an internal analysis and due diligence process to monitor the Sub-Investment Manager's management of the Fund, and it can change the Sub-Investment Manager at its discretion if it believes that this is in the best interests of Shareholders in the Fund.</p> <p>The Sub-Investment Manager actively manages the Fund. This means that, subject to the investment guidelines agreed with the ACD, it has discretion to select assets according to its investment views and opportunities identified as market and economic conditions change, and it will select investments that it believes will achieve the Fund's investment objectives. The Sub-Investment Manager will complete an assessment before any investment decisions are made.</p> <p>The investment guidelines the ACD has put in place for the Sub-Investment Manager include:</p> <ul style="list-style-type: none"> • an objective to outperform the Target Benchmark on average each year measured over rolling 3 year periods. This will be consistent with the Fund's objective to outperform the Target Benchmark after the deduction of fees, although not identical because the target set for the Sub-Investment Manager will be measured before the deduction of the Fund's fees; and • risk management measures, including a maximum Tracking Error, detailed below which reference the Target Benchmark. These will be commensurate to the outperformance objective noted above. <p>The primary way the Sub-Investment Manager aims to achieve the Fund's investment objectives is by selecting bonds which will outperform the Target Benchmark. It is expected that average outperformance for the Fund will typically not be greater than 0.25% per annum (after the deduction of fees) in excess of the Target Benchmark measured over a rolling 3 year period, although no level of outperformance is guaranteed.</p> <p>When selecting bonds, the Sub-Investment Manager will consider risks including credit risk (the potential risk that issuers of bonds will be unable to honour their payment obligations), and how changing interest rates might impact the value of a bond in order to help determine which bonds to invest in. For example increasing interest rates will usually lower the value of an existing bond, and if the bond has a long</p> |
|--|---|

| | | |
|-----------------------------------|--|--|
| | | <p>time until maturity there could be more of an impact on its value. Therefore, the Sub-Investment Manager may choose to reduce the Fund's sensitivity to a change in interest rates if it expects them to rise or vice versa.</p> <p>When selecting company bonds, the Sub-Investment Manager will assess a company with respect to four key factors: industry attractiveness, competitive position, management quality and financial position. This will assign the company a score which the Sub-Investment Manager will consider as part of its overall selection process when determining which bonds to invest in.</p> <p>When selecting government bonds it will use a number of tools to assess the impact of key economic and socio-political factors in order to determine a forward-looking view on the medium and long-term risk that the government may be unable to meet its payment obligations on the bonds. In doing so, it will consider factors such as the government's cash flow.</p> <p>The Sub-Investment Manager will also factor in the value of a bond, by assessing the interest payments the bond will make, and look for opportunities where they believe bonds have been mispriced.</p> <p>The Fund's strategy is complemented by the use of Derivatives for Efficient Portfolio Management. It is expected that Derivatives will be used regularly in circumstances such as managing risk, for example to manage currency risk by hedging to Pounds Sterling or to manage interest rate risk, or responding quickly to developments in financial markets.</p> <p>The Fund overall will typically be managed with a Tracking Error (against the Target Benchmark) of up to 2%. The Tracking Error of the Fund's portfolio may occasionally (for instance during volatile market conditions) be higher than 2% provided this is consistent with the investment strategy of the Fund. The Sub-Investment Manager is also subject to certain investment restrictions which reference an index in the Target Benchmark, relating to the credit rating of bond issuers, and the Duration of bonds, as part of its investment process. These are risk management measures.</p> <p>The risk management measures mean that although the Sub-Investment Manager has discretion to select investments, the degree to which the Fund's portfolio is permitted to deviate from the Target Benchmark will be restricted, which will limit the extent to which the Fund might outperform the Target Benchmark. The Sub-Investment Manager does not have to invest in the same assets that make up the Target Benchmark or in the same amounts, and may hold significantly fewer assets than those which make up the Target Benchmark, but some of the Fund's investments will reflect the constituents of the Target Benchmark.</p> |
| <p>Further Information</p> | <p>The Fund uses the following composite Comparator Benchmark: 25% FTSE Actuaries UK Conventional Gilts All Stocks Index, 75% Markit iBoxx Sterling Non Gilts Index.</p> <p>This Comparator Benchmark has been chosen because it provides investors with a comparison of performance against other multi asset funds that have a similar level of risk. However this is a broad group of funds therefore each fund may be aiming for slightly different investment</p> | <p>The Target Benchmark for the Fund has been selected as it is representative of the Fund's investment policy.</p> <p>The Target Benchmark is provided by IHS Markit Administration Limited and FTSE International Limited, respectively, which as at the date of this Prospectus are included in the public register of administrators and benchmarks established and maintained by the FCA.</p> <p>In respect of the Fund's objective to outperform the Target Benchmark after the deduction of fees, the term "fees" includes all fees, costs, charges, expenses and liabilities which are deducted from the value of Fund property for the purpose of calculating its NAV.</p> |

| | | |
|--|---|--|
| | <p>objectives, and so the comparison is for indicative purposes only. As such, the ACD will not use this sector performance or its constituents to determine how it manages the Fund.</p> <p>Variable remuneration of individual fund managers for the Fund is determined by assessing a number of different factors. Insofar as these relate to investment performance, any assessment will be made by comparing Fund performance relative to a commercial peer group of competitor funds with similar investment objectives and policies.</p> | <p>If the ACD considers that the Fund's Target Benchmark should be amended as a result of changes to, or evolution of, external market conditions and provided there is no material change to the risk profile of the Fund, it may implement this change after providing Shareholders with reasonable notice in advance.</p> <p>Variable remuneration of those individuals employed by the ACD who are responsible for the selection and ongoing oversight of the Sub-Investment Manager is determined by assessing a number of different factors. Insofar as these relate to investment performance, any assessment may be made by comparing Fund performance relative to the Target Benchmark.</p> |
|--|---|--|