

UBS ASSET MANAGEMENT FUNDS LTD

Annual Report and Financial Statements
for the year ended 31 December 2019

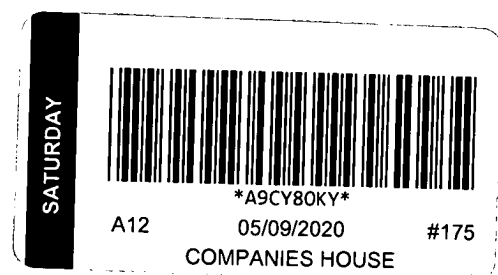


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UBS ASSET MANAGEMENT FUNDS LTD

Registered No. 2218008

DIRECTORS AND OFFICERS

CORPORATE INFORMATION

DIRECTORS

A.J. Aziz
E.C.S. Byrne
P. Davis (Non-executive)
A.K. Larkin
J.C. Stannard (Non-executive)

AUDITORS

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

REGISTERED OFFICE

5 Broadgate
London
EC2M 2QS

UBS ASSET MANAGEMENT FUNDS LTD

STRATEGIC REPORT

The Directors present their report and the audited financial statements of UBS Asset Management Funds Ltd (the "Company") for the year ended 31 December 2019.

STRATEGIC REPORT

In accordance with the provisions of Section 414A of the Companies Act 2006, the Directors present their strategic report of UBS Asset Management Funds Ltd (the "Company") for the year ended 31 December 2019. This has been prepared in compliance with the provisions of Section 414C of the Companies Act 2006 and also covers matters relating to the Company's future developments and a summary of how directors have engaged with suppliers, customers and other stakeholders.

PRINCIPAL ACTIVITY

The principal activity of the Company, which is a wholly owned subsidiary undertaking of UBS Asset Management Holding Ltd, ("the Immediate Parent Company"), is to manage pooled vehicles for institutional and retail clients. The Company was authorised as an Alternative Investment Fund Manager ("AIFM") under the Alternative Investment Fund Managers Directive (Directive (2011/61/EU)) on 22 July 2014, and is the AIFM of the following funds:

- Triton Property Fund (Umbrella Fund)
- Triton Property Fund Unit Trust
- UBS Participating Real Estate Mortgage Fund
- UBS (UK) Real Estate Funds Selection Global Ex Canada LP
- Archmore International Infrastructure Fund I
- Archmore International Infrastructure Funds II

During the course of 2019 the 'Alternative Investment Funds Manager' for the below funds was moved to UBS Fund Management (Luxembourg) S.A.

- UBS (Lux) Real Estate Funds Selection
- Archmore International Infrastructure Fund III
- Archmore Infrastructure Debt Platform
- Archmore Infrastructure Debt Platform II

The Company is also a manager/authorised Corporate Director of Undertakings for Collective Investment in Transferable Securities ("UCITS") funds. The Company is authorised and regulated by the Financial Conduct Authority (the "FCA").

UBS Group AG ("UBS Group") is the group into which the Company is consolidated and the ultimate parent undertaking and controlling party and is a company incorporated in Switzerland. This is the largest group company preparing consolidated financial statements. This includes the Company's financial statements consolidated from UBS Asset Management AG.

The Asset Management UK Group ("UK Group") includes the Company, UBS Asset Management Holding Ltd, UBS Asset Management Holdings (No2) Ltd, UBS Asset Management (UK) Ltd, UBS Asset Management Life Ltd and the associated subsidiaries.

UBS ASSET MANAGEMENT FUNDS LTD

STRATEGIC REPORT (CONTINUED)

REVIEW OF THE BUSINESS

During the year the Company made a profit after taxation of £2,039,000 (2018 – £4,229,000). An interim dividend of £3,900,000 was paid to its immediate parent, UBS Asset Management Holding Ltd, during the year (2018 – £5,400,000).

The Company's key financial and other performance indicators during the year were as follows:

	<i>(restated)</i>		
	<i>2019</i>	<i>2018</i>	<i>Change</i>
	<i>£000</i>	<i>£000</i>	<i>%</i>
Turnover	23,327	28,523	(18.2)
Administrative expenses	(20,803)	(23,987)	(13.3)
Operating profit	2,524	4,536	(44.3)
Profit for the financial year	2,039	4,229	(51.8)
Shareholder's equity	28,926	30,787	(6.0)

The transfer of the 'Alternative Investment Funds Manager' of four funds to UBS Fund Management (Luxembourg) S.A. has had a negative impact on revenues in 2019, which hasn't been completely offset by a reduction in expenses as a result of the transfer and other cost savings. The remaining underlying business has continued to experience growth in Assets Under Management ("AUM") as a result of a combination of market growth of the existing invested assets and inflows of new assets or Net New Money ("NNM"). This trend is expected to continue to drive growth in the medium to long term future. The Company is experiencing industry headwinds, such as a move by investors from high margin active strategies to lower margin passive strategies, as well as fee compression across all product types.

The impact of COVID-19 is covered in the '*Principal risks and uncertainties*' section, under the natural disaster risk section.

CAPITAL REQUIREMENTS

The Directors regularly assess the implications of the Capital Requirements Regulation 575/2013 ("CRR") in relation to the Company and its business operating model via the Internal Capital Adequacy Assessment Process ("ICAAP") for UBS Asset Management Holding (No.2) Ltd and its relevant subsidiaries, UBS Asset Management Holdings Ltd, UBS Asset Management UK (Ltd) and the Company, referred to as the ("AM UK Group") and this group excludes UBS Asset Management Life Ltd. This is in accordance with the Capital Requirement Directive 2013/36/EU ("CRD").

The ICAAP is an important tool for the Board of Directors and senior management to manage the capital position of the firm on an ongoing basis throughout the year, the Board of Directors are of the opinion that the ICAAP is robust and reflects the risk and capital requirements of the Company adequately.

STRATEGIC REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES

Sound risk management and control is an integral part of creating a sustainable business and delivering ongoing value for stakeholders. Failure to establish and sustain an effective firm-wide risk culture, and to adequately manage and control risks, leads to financial loss and damage to our reputation and to the trust of our stakeholders. The Board of Directors are ultimately responsible for adequate risk management and establishing an integrated and institution-wide risk culture.

The Company is subject to the UBS Risk Management and Control Principles, which apply to UBS Group, and are designed to support optimal risk-return decisions. Holistic governance together with aligned risk, compliance and finance processes are designed to help protect the Company from unacceptable damage to its financial strength, performance and reputation. Also, the risk management and control processes of the Company help to ensure that risk and return objectives are appropriately balanced in order to achieve sustainable earnings growth within the risk appetite established by the Board of Directors of the Company.

The principal risks and uncertainties facing the Company are broadly grouped as – *business risks, primary & related risks, operational risks and natural disaster risks.*

Business Risks

Like any business, the Company faces the risk of making poor business decisions, the risk of poor execution of those decisions, and the risk of inadequate resource allocation or resource constraints.

Risk	Risk Description
Competitive risk	The risk that competitive forces will prevent strategic objectives being achieved. This includes risk of disruption from new entrants to the industry, loss of major clients or client groups, fee pressure from customers.
Industry risk	The risk of a failure to respond well to changes in the business environment. This risk is particularly acute given the intense rate of change in the Asset Management industry.
Country and regulatory risk	The Company faces significant country risk, due to operating solely in the UK. This is the risk of possible changes in the UK specific business environment that may adversely affect achievement of strategic objectives including regulatory change. Brexit is a key country risk to the Company.
People risk	The risk that people, which are its main resource, are inadequately allocated or capacity constrained.
Performance risk	The risk that poor performance leads to client withdrawals and a resultant reduction in fee income.

UBS ASSET MANAGEMENT FUNDS LTD

STRATEGIC REPORT (CONTINUED)

Primary & Related Risks

Primary Risk	Risk Description
Market risk	Market risk is the risk of losses arising from adverse movement in market prices relating to trading book positions as well as foreign exchange ("FX") exposure. The Company currently has foreign exchange exposure from when the Company receives and pays fees in non-GBP currencies. This results in FX exposure between those fees accruing and being received (and immediately transferred to GBP).
Credit risk	Credit risk is the potential for loss arising on an obligor's failure to meet the terms of any contract or otherwise perform as agreed. The credit risk relates to the cash at bank and the trade debtors balances. Credit risk for the cash at bank (JP Morgan & Barclays) has been transferred to the UK Government through the reduction in these balances in favour of Gilt holdings. The trade debtors credit risk is limited as to the management fee is direct debited from the client. The clients are of high credit quality and assessed as a low probability of default. To date, the Company has not had any trade debtors that have subsequently defaulted. Note 12: Financial instruments contains more detail.
Concentration risk	With the holding of cash at only two entities, the Company faces potential Concentration Risk. However this was reduced during 2018 by moving cash from JP Morgan and Barclays into holdings in UK Gilts.
Interest Rate Risk in the Banking Book	The Company positions in Gilts are held to maturity. The interest rate risk that is taken is therefore not reflected as a Market Risk, and so is considered as Interest Rate Risk in the Banking Book for regulatory capital purposes.
Liquidity and Funding risk	<p>The Company faces the risk of becoming unable to meet liabilities as they become due for payment. Most payments made by the Company are matched by incoming cash flows, and would be suspended if the inflow were not received. This significantly reduces the Liquidity Risk.</p> <p>The Company faces delayed settlement risk where the entity would need to fund settlement from clients that is not received in a timely manner.</p>
Investment risk	Investment Risk is only taken on client money, not with the assets of the Company. The management of the Investment Risk (including Liquidity Risk) on client money is a very important part of the processes of UBS Asset Management. The risk to the Company is that poor performance leads to client withdrawals (which is a Business Strategic risk).
Related Risk	Risk Description
Group Risk	Group risk is the risk that the financial position of a firm may be adversely affected by its relationships (financial or non-financial) with other entities in the UBS group or by risks which may affect the financial position of the whole group (e.g. reputational contagion)

Operational Risk

The Operational Risk Framework defines the universe of material compliance, conduct and operational risks, which can arise as consequences of our business activities and through external factors. All taxonomies of the Operational Risk Framework were identified as being relevant for the Company.

STRATEGIC REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

A key underlying risk driver for the Company is the overall risk culture, which comprises aspects such as staff behaviour and mindset, accountability, resourcing, delineation of roles and responsibilities as well as supervision. This includes Conduct Risk, which is the risk that the conduct of the firm or its individuals unfairly impacts clients or counterparties, undermines the integrity of the financial system, or impairs effective competition to the detriment of consumers. Because risk culture and conduct risk are firm-wide considerations, touching every function and each of our management and control frameworks, these risks are incorporated into our Operational Risk Framework.

Natural disaster risks

A natural disaster is a major adverse event resulting from natural processes of the Earth and includes floods, hurricanes, tornadoes, volcanic eruptions, earthquakes, tsunamis, storms, and other geologic processes. The spread of the novel coronavirus COVID-19 across Europe is being treated as a natural disaster and as such, the Company has considered the already existing accounting requirements when addressing the possible financial effects this may have on the Company and whether any restatements are required as at 31 December 2019 or whether this impacts the overall going concern status of the Company. Due to the unprecedented nature of such an event occurring before, it is difficult to fully assess this but the majority of the Company's clients are Institutional investors, who are long term investors, and therefore less responsive to sudden adverse market conditions. COVID-19 is considered to be a non-adjusting post balance sheet event, and as such, no adjustments have been made to the valuation of assets and liabilities as at 31 December 2019. The Company has, however, considered this as a non-adjusting event requiring disclosure only in note 15 – '*Events after the balance sheet date*' and concluded there is no material impact. The impacted balance sheet reporting lines include the following: Impairment of the 'Debtors & Other Receivables', restructuring provisions and the expected credit loss on the holdings of UK gilts. As mentioned in the 'Credit risk' section, the counterparties are of high credit quality and assessed as a low probability of default (4% most recent assessment). To date, there is currently £64,506 of debtors that are past due but there are no indications that this will not be received in full. There are currently no plans for any restructuring and the expected credit loss has been assessed as £180.

The Company continues to adopt the going concern basis, as disclosed in the Directors' report on page 12 and this was assisted by the assessment made in Note 1 – Accounting policies - '*Going concern*' on page 21.

The AM UK Group also has a robust 'Crisis Management Plan' that ensures the business can continue to function in the event of a crisis, including a pandemic. The objective of this plan is to protect the business, including its employees, clients and shareholders, by minimizing the impact of major operational and financial disruptions. To date, there has been no adverse effects on the Company not being able to operate as usual.

STRATEGIC REPORT (CONTINUED)

IMPACT OF BREXIT ON THE COMPANY

The UK has voluntarily withdrawn from the European Union on 31 January 2020, under a transitional withdrawal agreement. Except for the delegation and portfolio management and funds/clients notes below, currently, this withdrawal has not impacted the underlying business of the Company but we continue to monitor the developments of these trade negotiations.

Delegation and Portfolio Management

The Asset Management industry as a whole welcomed the execution of the Memoranda of Understanding between the FCA and various National Competent Authorities.

Funds/Clients

Steps were taken in 2019 to relocate the AIFM from the UK to Luxembourg for a number of funds where continued distribution to the EU27 is required. Consequently some revenues attributable to the Company have ceased and revenue has instead been booked in the Luxembourg entity.

ASSET MANAGEMENT MARKET STUDY

The Company will be ready to comply with the Asset Management Market Study requirements. Work is underway on the value statements which will be published in the third quarter of 2020. These changes will provide consumers with greater transparency around the costs and benefits of their investments within the asset management industry as a whole and the Board of Directors welcomes the enhancements.

FUTURE DEVELOPMENTS

The Directors intend to continue to assess relevant opportunities to develop or expand the Company's activities provided these are consistent with the UBS Group AG business strategy and direction.

STRATEGIC REPORT (CONTINUED)

DUTY TO PROMOTE THE SUCCESS OF THE COMPANY

Statement by the Directors in performance of their statutory duties in accordance with S172(1) of the Companies Act 2006.

The Company is required to comply with Section 172 (1) of the Companies Act 2006. Section 172 (1) is a part of the section of the Act which defines the duties of a company director, and concerns the “duty to promote the success of the Company” for the benefit of its stakeholders whose interests are in the future success of the Company. Stakeholders include shareholders, employees, suppliers and the local communities affected by the Company's activities.

A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its stakeholders as a whole and, in doing so have regard (amongst other matters) to:

- likely consequences of any decisions in the long-term;
- the interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- maintaining a reputation for high standards of business conduct, and
- a need to act fairly as between members of the company.

The following paragraphs summarise how the directors fulfil their duties:

Purpose Strategy and consideration of consequences of decision for the long term

The global AM business, of which the Company is a part, is led by Suni Harford, who is the head of UBS Asset Management AG and, who took office in 1 October 2019. The global AM business has a highly differentiated global client offering, providing investment management products and services, platform solutions and advisory support to institutions, wholesale intermediaries and wealth management clients.

Following this recent appointment, the overall UBS Asset Management AG strategy has undergone a review and the impact of this review will mean the strategy for the Company will also be considered and discussed with the Board, following a recommendation from the MRC. Currently, there are no signs of any major changes to the present strategy.

This focuses on capitalizing on the areas where the Company has a leading position to drive further profitable growth and scale. The Company aims to continue to achieve capital growth and/or income returns to investors, while being fully transparent and treating all customers fairly.

Our Culture and Conduct

The core behaviours of 'Collaboration', 'Integrity' and 'Challenge' form part of the assessment process for all UBS Group employee that are performing activities for the Company. Evidence of performance in these areas forms part of that assessment and therefore has a direct impact on staff compensation. Additionally, all staff attests annually to compliance with key policies, including the 'Code of Conduct' and 'Ethics'. Staff are also subject to various mandatory trainings each year which include the area of conduct and behaviour. The Boards monitors conduct violation statistics and would take action if necessary, using appropriate escalations. To date, this has not been required. There is also a widely publicised 'Whistleblowing' framework accessible to all staff and this operates from an independent team within UBS Business Solutions AG.

STRATEGIC REPORT (CONTINUED)

DUTY TO PROMOTE THE SUCCESS OF THE COMPANY (CONTINUED)

Governance

The Company benefits from having two independent 'Non-Executive Directors' which enables independent constructive challenge. There is an annual, board effectiveness self-assessment, that is undertaken for the Board and the various underlying sub-committees. The Audit Committee for the Company is chaired by a Non-Executive Director.

Engagement with our Customers

The Company has a dedicated client relationship team. It conducts a client survey every two years, meaning the Company receive feedback about its products, client relationships, ease of doing business, sale and after sales. This also provides a benchmark for the Company against the industry and drives any improvement priorities.

Engaging with our Employees

The Company strives to ensure there are forums in place to encourage feedback and dialogue from its employees to maintain a strong connection and be in a position to be able to react to changing needs. This includes;

- The annual 'Staff Survey': this is organised globally for UBS Group but the Company is able to monitor the results at a local company level. It also provides us with insights into staff morale and enables us to direct resources or support to those areas where improvements are required.
- Rungway is an online tool which provides a forum for employees to be able to get advice on sensitive subjects, ask questions and share their experiences. Questions and experiences can be asked or shared either openly or anonymously and replies can be provided either publicly or privately.
- The 'People Agenda' committee strives to connect staff with each other and with management through social, educational and information sharing events. Every area of the business presents to colleagues, what their function does in a relaxed forum to aid networking and knowledge sharing. Quarterly UK specific town halls are held to educate staff around strategy and the latest topics.
- Globally the 'Grow Asset Management initiative' has been launched seeking ideas relating to subjects such as training, recruitment, community and diversity.

Engaging with our Shareholders

As part of the UBS Group, compliance is required with all internal policies and regulations which ensure that our shareholders are informed of our activities on matters such as strategy, performance and governance. All Board of Directors must be approved by the Global Executive Committee of UBS Asset Management AG.

Engaging with our suppliers

Quarterly reviews are undertaken with UBS Business Solution AG, our proprietary service provider which covers our finance, legal, compliance, risk and operational requirements. They are assessed against key performance indicators.

The UBS Group has a robust centralised outsourcing process which involves performing the necessary due diligence on outsourcing arrangements, especially with regard to the areas of cyber and data security and ad-hoc reviews can be performed.

STRATEGIC REPORT (CONTINUED)

DUTY TO PROMOTE THE SUCCESS OF THE COMPANY (CONTINUED)

Fund Administration is delegated to JP Morgan which has been authorised by the FCA to provide administration services. The Function of the Transfer agent is delegated by the Firm to Northern Trust UK. Fund Product Control receive regular reports on exceptions/failures in connection with the provision of the services and will request additional information on mitigation measures, their implementation status and causal analysis, if necessary.

In addition, due diligence and ad-hoc reviews can be performed. The due diligence process is initiated once a year with the relevant business unit associated with outsourced services.

Engaging with our Community and Environment

The award winning 'Community Affairs' programme operates both globally and locally. Throughout 2019 the UBS Asset Management division in the UK had 56% of their staff involved with some form of community activity. Locally, there are very strong links with the Bridge Academy in Hackney and this is a major key community partnership. Another key partnership is with 'Into University' where there was an award won for best 'Community Partnership' in 2019. This also extends to helping the environment where a recent initiative involved a rubbish clean-up of the Homerton Grove Park in Hackney while other events have included the revamping of a playground, weeding a plant nursery and the re-homing of some native beetles.

Engaging with our Regulators

There is an open and ongoing dialogue with the FCA & PRA, keeping them informed of the key activities and strategic developments of the Company.

Approved by the Board of Directors on 22 April 2020 and signed on their behalf by:



A.J. Aziz

Director

UBS ASSET MANAGEMENT FUNDS LTD

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of UBS Asset Management Funds Ltd (the "Company") for the year ended 31 December 2019.

DIVIDENDS

An interim dividend of £3,900,000 was paid to its immediate parent, UBS Asset Management Holding Ltd, during the year (2018 – £5,400,000). The Directors do not recommend payment of a final dividend (2018 – £nil).

The Company does not produce consolidated financial statements, being exempt from this requirement under s401 of the Companies Act (2006). The Company was, at the end of the year, a wholly-owned subsidiary of UBS Group AG, a company incorporated in Switzerland. This is the largest group company preparing consolidated financial statements which includes the Company's financial statements.

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, The Company's business activities, together with the factors likely to affect its future development, performance and position are set out within this report. The financial position of the Company and its liquidity position are reflected on the balance sheet. In response to the natural disaster risk outlined on page 21 the Company has performed an assessment of the impact of the market stress due to COVID-19 pandemic and concluded the Company has adequate resources to continue in operational existence for the 12 months from the date on which the financial statements are approved. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

DIRECTORS

The Directors who served during the year and up to the date of signing the financial statements were as follows:

A.J. Aziz
E.C.S. Byrne
P. Davis (Non-executive)
A.K. Larkin
J.C. Stannard (Non-executive)

INSURANCE OF DIRECTORS

UBS AG, a UBS Group company, maintains a third party indemnity provision in favour of all of its Directors against liability in respect of proceedings brought by third parties. This is for its Directors in respect of their duties as Directors of the Company.

CHARITABLE AND POLITICAL CONTRIBUTIONS

There were no charitable donations nor any contributions for political purposes made by the Company during the year (2018: nil).

DIRECTORS' REPORT (CONTINUED)

RE-APPOINTMENT OF AUDITORS

Ernst & Young LLP, Chartered Accountants and Registered Auditor, have indicated their willingness to continue in office and, as the Company has dispensed with the holding of annual general meetings, as permitted by the Companies Act 2006 ('the Act'), shall continue in office in accordance with Section 487 of the Act or, if annual general meetings are re-introduced, until the conclusion of the next annual general meeting and in which case a resolution for their re-appointment will be proposed.

Approved by the Board of Directors on 22 April 2020 and signed on their behalf by:



A.J. Aziz

Director

UBS ASSET MANAGEMENT FUNDS LTD

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the financial statements and the Director's report in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice; including Financial Reporting Standard 101 'Reduced Disclosure Framework'. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- Select suitable and appropriate accounting policies and then apply them consistently;
- Present fairly the financial positions and financial performance of the Company;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Make judgements and accounting estimates that are reasonable;
- State whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DISCLOSURE OF INFORMATION TO THE AUDITOR

Each of the Directors at the date of Board approval of this Report and the Accounts has confirmed that:

- So far as he/she is aware, there was no relevant audit information of which the auditors were unaware; and,
- He/she has taken all the steps they ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the auditors have been made aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

UBS ASSET MANAGEMENT FUNDS LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UBS ASSET MANAGEMENT FUNDS LTD

Opinion

We have audited the financial statements of UBS Asset Management Funds Ltd for the year ended 31 December 2019 which comprises the Income Statement, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 16, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" under UK GAAP (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UBS ASSET MANAGEMENT FUNDS LTD (CONTINUED)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Emphasis of Matter – Effects of COVID-19

We draw attention to notes 1 and 15 of the financial statements, which describes the economic disruption the Company is facing as a result of COVID-19, which is impacting financial markets and personnel available for work and or being able to access offices. Our opinion is not modified in respect of this matter.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UBS ASSET MANAGEMENT FUNDS LTD (CONTINUED)

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP.

Mike Gaylor
(Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
22 April 2020

UBS ASSET MANAGEMENT FUNDS LTD

Registered No. 2218008

INCOME STATEMENT

For the year ended 31 December 2019

		2019	(restated) 2018
	Notes	£000	£000
TURNOVER	3	23,327	28,523
Administrative expenses	4	(20,803)	(23,987)
OPERATING PROFIT	5	2,524	4,536
(Loss)/gain from foreign exchange differences		(277)	393
Interest income and similar charges		27	11
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,274	4,940
Taxation on profit on ordinary activities	7	(235)	(711)
PROFIT FOR THE FINANCIAL YEAR		2,039	4,229

All of the amounts above are in respect of continuing operations.

The notes on pages 21 to 32 form an integral part of these financial statements.

UBS ASSET MANAGEMENT FUNDS LTD

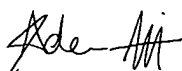
Registered No. 2218008

BALANCE SHEET

As at 31 December 2019

		<i>(restated)</i>	
	<i>Notes</i>	<i>2019</i> <i>£000</i>	<i>2018</i> <i>£000</i>
CURRENT ASSETS			
Debt instruments at amortized cost	8	11,720	11,852
Cash and cash equivalents	9	10,036	10,854
Debtors and other receivables	10	18,146	21,337
		<u>39,902</u>	<u>44,043</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Creditors	11	(10,976)	(13,256)
		<u>28,926</u>	<u>30,787</u>
NET ASSETS			
		<u>28,926</u>	<u>30,787</u>
CAPITAL AND RESERVES			
Called up share capital	13	26,000	26,000
Retained earnings		2,926	4,787
		<u>28,926</u>	<u>30,787</u>
EQUITY SHAREHOLDERS' FUNDS		<u>28,926</u>	<u>30,787</u>

Approved and authorised for issue by the Board of Directors on 22 April 2020 and signed on its behalf by:



A.J. Aziz

Director

The notes on pages 21 to 32 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Share Capital	Retained Earnings	(restated) Total Equity
	£000	£000	£000
At 1 January 2018	26,000	5,958	31,958
Profit for the financial year	-	4,229	4,229
Dividends Paid	-	(5,400)	(5,400)
At 31 December 2018	26,000	4,787	30,787
Profit for the financial year	-	2,039	2,039
Dividends paid	-	(3,900)	(3,900)
At 31 December 2019	26,000	2,926	28,926

The notes on pages 21 to 32 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

1. ACCOUNTING POLICIES

The accounting policies applied in the preparation of the financial statements of UBS Asset Management Funds Ltd (the "Company") are described in this note. These policies have been applied consistently in all years presented unless otherwise stated. The Company is a subsidiary of UBS Asset Management Holding Ltd (the "Immediate Parent Company"). The group into which the Company is consolidated and the ultimate parent undertaking and controlling party is UBS Group AG, ("UBS Group") a company incorporated in Switzerland. This is the largest group company preparing consolidated financial statements which includes the Company's financial statements. The Asset Management UK Group ("UK Group") includes the Company, the Immediate Parent Company, UBS Asset Management Holdings (No2) Ltd, UBS Asset Management (UK) Ltd, UBS Asset Management Life Ltd and the associated subsidiaries. The Asset Management UK Group, excluding UBS Asset Management Life Ltd, is referred to as ("AM UK Group").

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 ("FRS 101") for all periods presented. FRS 101 sets out a reduced disclosure framework which addresses the financial reporting requirements and disclosure exemptions for the Company that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted International Financial Reporting Standards ("IFRS").

The Company has taken advantage of the following exemptions under FRS 101:

- (a) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1
- (b) the requirements of paragraphs 10(d), 10(f), 16, 38A-38D, 40A-40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- (c) the requirements of IAS 7 Statement of Cash Flows
- (d) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- (e) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- (f) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Going concern

A natural disaster is a major adverse event resulting from natural processes of the Earth and includes floods, hurricanes, tornadoes, volcanic eruptions, earthquakes, tsunamis, storms, and other geologic processes. The spread of the novel coronavirus COVID-19 across Europe is being treated as a natural disaster and as such, the Company has considered the already existing accounting requirements when addressing the possible financial effects this may have on the Company and whether any restatements are required as at 31 December 2019 or whether this impacts the overall going concern status of the Company.

The Company continues to adopt the going concern basis, as disclosed in the Directors' report on page 12 and was assisted by the following assessment. The AM UK Group, currently holds a regulatory capital ratio of 126% of the minimum capital requirement and the Company is also well capitalised to support any adverse shocks with over £26m in share capital, of which £21m is in high quality liquid assets. Based on the 2020 UK Group plan, which is calculated from the 2019 actual AUM, the AM UK Group could absorb a reduction in revenue by up to 45% before it would breach its regulatory capital requirement. If the 2020 plan was now based on the estimated 31 March 2020 AUM, which has fallen by approximately 15%, and costs remain unchanged, then the plan revenues would still offset the plan costs.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

ACCOUNTING POLICIES (CONTINUED)

Based on this, management believes that the regulatory capital requirements will continue to be met, this is a non-adjusting post balance sheet event as per the assessment on page 7 of the Strategic Report within the 'Principal Risk and uncertainties' section. This assessment included the analysis of the impacted reporting lines as at 31 December 2019 and included the following; To date, there is currently £64,506 of debtors that are past due but there are no indications that this will not be received in full. There are currently no plans for any restructuring and the expected credit loss on the UK Gilts has been assessed as £180. The Company will also have sufficient liquidity to meet its liabilities for the next 12 months and that the preparation of the financial statements on a going concern basis remains appropriate as the Company expects to be able to meet its obligations as and when they fall due for the foreseeable future.

Foreign currencies

The Company's financial statements are presented in pound sterling, which is also the Company's functional currency. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Turnover

Turnover, stated net of value added tax, and rebates, comprises management fees, performance fees, and other charges earned from providing investment and fund management services to clients and other UBS Group undertakings. Turnover is earned primarily from activities based in the United Kingdom ("UK"). The Company services, and distributes to, UK and overseas clients, as well as acting as a global hub for portfolio management for various investment strategies.

Management fees are recognised on an accrual basis. Performance fees are only recognized when the related performance obligation has been satisfied and to the extent that it is highly probable that a significant reversal will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Incremental costs incurred from obtaining revenue generating contracts are recognised as an asset on the balance sheet and amortised over the life of the contract and is treated as contra revenue against the fee revenue received from the contract. (refer to Note 10: Debtors and other receivables).

Management charge with the Immediate Parent Company

The Company is charged, on an accrual basis, a management fee for operating services received from its Immediate Parent Company. See Note 3 for more details.

Interest income

Interest income on cash balances and the gilts held is recognised on an accrual basis.

Administrative expenses

Administrative expenses incurred are recognised on an accrual basis.

Debtors

Debtors are amounts due in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Debtors are measured at fair value upon initial recognition. At each balance sheet date debtors are reviewed to determine whether there is an indication of impairment. If such indication exists, the recoverable amount is estimated.

Creditors

Creditors are obligations to pay for services that have been acquired in the ordinary course of business. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Creditors are recognised initially at fair value and subsequently measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

ACCOUNTING POLICIES (CONTINUED)

Taxation

Corporate income tax payable on profits is recognized as an expense based on the applicable tax laws in each jurisdiction in the period in which profits arise. Deferred tax assets are recognized for temporary differences that will result in deductible amounts in future periods, but only to the extent that it is probable that sufficient taxable profits will be available against which these differences can be utilized. Deferred tax assets are measured at the tax rates that are expected to apply in the period in which the asset will be realized or the liability will be settled based on enacted rates at the balance sheet date. Tax assets and liabilities of the same type (current or deferred) are offset when they arise from the same tax reporting group, they relate to the same tax authority, the legal right to offset exists, and they are intended to be settled net or realized simultaneously. Current and deferred taxes are recognized as a tax benefit or expense in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise balances with an original maturity of three months or less, including cash and money market products.

Debt instruments at amortized cost

A debt instrument is measured at amortized cost if it meets the following conditions:

- It is held within a business model that has an objective to hold financial assets to collect contractual cash flows; and
- The contractual terms of the financial asset result in cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Expected credit loss provision

Debt instruments measured at amortised cost are assessed for their expected credit loss ("ECL") in the 12 months after the reporting date. ECL is the probability-weighted estimate of credit losses (i.e., the present value of all cash shortfalls) over the expected life of a Financial Instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. ECL recognises the shortfall of cash flows that would result if default occurred within 12 months of the reporting date, weighted by the risk of that default occurring. The Company holds AA rated UK Government issued gilts with a maturity profile of less than 12 months so the probability of default is highly unlikely and the ECL has been assessed as immaterial.

UBS ASSET MANAGEMENT FUNDS LTD

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

2. RESTATEMENTS

During 2019 it was identified that £3.8m (2018 - £1.9m, 2017/16 - £1.9m) of management fees was overpaid by the Company to other UBS portfolio managers that had been designated as service providers for the Global Real Estate Multi-Funds business. The Company has now recuperated this but it now means the management charge by the Immediate Parent Company has subsequently increased as a result of the increase in reported revenue. This totalled £2.8m (2018 - £1.5m, 2017/6 - £1.3m). The effects of the 2017 restatements have been adjusted through opening retained earnings. Company taxation has also been adjusted to reflect these restatements.

The changes are as a result of information obtained during the year around certain inputs which were re-evaluated and corrected by management. The table below indicates the line items which have been restated as a result of these prior year adjustments. The first two adjustments relate to the over payment of the portfolio management fees while the remainder relates to the subsequent reallocation of the management charge between the Company and the Immediate Parent Company and the impact these adjustments had on the corporation taxation charge to the Company.

Financial Statement Reporting Line	Note name	Note	£000						£000	£000
			2018 Financial Statements	1	2	3	4	5	Total Restatements	Restated 2018 Financial Statements
Debtors & other receivables	Amounts owed by UBS Group Entities	10	5,763	1,898	1,895				3,795	9,558
Creditors	Amounts owed to UBS Group Entities	11	(8,127)			(1,505)	(1,260)		(2,767)	(10,894)
	Corporation Taxation		(1,174)				(169)		(169)	(1,343)
Turnover		3	(26,625)	(1,898)					(1,898)	(28,523)
Administrative expenses	Management charge from Immediate Parent	4	22,482			1,505			1,505	23,987
Taxation on profit on ordinary activities			(651)				(60)		(60)	(711)
Retained earnings - profit for the 2018 financial			(3,896)	(1,898)		1,505		60	(333)	(4,229)
Retained earnings - January 2018			(5,432)	(1,895)		1,260	109		(526)	(5,958)

Rounding: totals presented in this table represent the precise underlying figures, rounded to the appropriate unit, and are not in all cases equal to the sum.

- 1). 2018 over allocated portfolio management fees.
- 2). 2017/16 over allocated portfolio management fees.
- 3). 2018 reallocation of management charge from Immediate Parent.
- 4). 2017/16 reallocation of management charge from Immediate Parent.
- 5). Recalculation of the corporation taxation as a result of the restatements

UBS ASSET MANAGEMENT FUNDS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2019

3. TURNOVER

	<i>(restated)</i>	
	2019	2018
	£000	£000
Turnover	23,211	28,397
Turnover generated from a subsidiary not wholly owned by the UBS Group	116	126
Total	23,327	28,523

Turnover comprises management fees, performance fees, and other fees earned from providing investment and fund management services to other UBS Group Entities. Turnover is earned primarily from activities based in the United Kingdom. In line with FRS 101, the Company has disclosed separately, the revenue generated from transfers from a subsidiary of the UBS Group which is not wholly owned.

The 2018 comparative number has been restated by £1.9m from £26.6m to £28.5m.

4. ADMINISTRATIVE EXPENSES

	<i>(restated)</i>	
	2019	2018
	£000	£000
Management charge paid to the Immediate Parent Company	20,803	23,987

The management charge paid to the Immediate Parent Company is to remunerate them for the services provided to the Company. These services include both personnel and the related Corporate Centre support costs. These are recharged at cost to the Company based on the proportion of total revenue of both the Company and the revenue of UBS Asset Management (UK) Ltd, after deducting a fixed fee payable by UBS Asset Management Life Ltd.

The 2018 comparative number has been restated by £1.5m from £22.4m to £24.0m.

5. OPERATING PROFIT

This is stated after charging:

	2019	2018
	£000	£000
Auditors' remuneration - audit of financial statements	86	49
- audit related assurance services	21	21
Total	107	70

UBS ASSET MANAGEMENT FUNDS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2019

6. DIRECTORS AND EMPLOYEES

The Company had no employees during the year (2018 – nil).

Directors' emoluments are payable by another company of the UK Group and are not separately recharged to the Company. The below disclosures are therefore in respect of Directors' emoluments in respect of qualifying services to the UK Group rather than to the Company alone.

Emoluments of Directors

	2019 £000	2018 £000
Aggregate remuneration in respect of qualifying services to companies of the UK Asset Management Group	1,787	1,067
Accrued pension at the end of the year	35	22
Total	1,822	1,089

	No.	No.
Directors to whom benefits are accrued under defined contribution schemes	3	3

Highest paid Director

	2019 £000	2018 £000
Aggregate remuneration	889	722
Accrued pension at the end of the year	10	9
Total	899	731

Transactions with Directors and related persons.

Directors are entitled to deal in securities with UBS Group companies in accordance with the Group's personal account dealing rules. These provide that the Directors obtain prior permission and must comply with restrictions designed to avoid conflicts of interest or dealing of a speculative nature. There had been no material transactions with Directors and related persons during the year.

UBS ASSET MANAGEMENT FUNDS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2019

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

(restated)

	2019 £000	2018 £000
a) Taxation on profit on ordinary activities		
The charge for taxation comprises:		
UK Corporation Tax:		
Current Year	235	711
	<u>235</u>	<u>711</u>
Total current tax charge for the year	<u>235</u>	<u>711</u>

b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £000	2018 £000
Profit on ordinary activities before tax	2,274	4,939
	<u>2,274</u>	<u>4,939</u>
Current tax charge at standard UK Corporation Tax rate of 19 % (2018 – 19%)	432	938
Effects of:		
Transfer pricing adjustments	(197)	(227)
Total tax charge for the year	<u>235</u>	<u>711</u>

The 2018 tax charge comparative has been restated by £0.1m from £0.6m to £0.7m.

UBS ASSET MANAGEMENT FUNDS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2019

8. DEBT INSTRUMENTS AT AMORTIZED COST

	2019	2018
	£000	£000
UK Gilts - Amortized cost value	11,720	11,852
UK Gilts - Fair value	11,711	11,848

Excess cash received from the Share Capital proceeds are invested in AA rated UK Gilts with a maturity profile of less than 12 months. This is to reduce both credit and concentration risk (see note 12). Due to the short term nature of the investments, the amortised cost value is similar to its fair value which has been determined from quoted prices in an active market.

9. CASH AND CASH EQUIVALENTS

	2019	2018
	£000	£000
Barclays	4,364	5,016
JP Morgan	4,451	4,462
NatWest	1,221	1,376
	10,036	10,854

Excess cash received from the Share Capital proceeds is placed at a Barclays current account and at JP Morgan as short term marketable securities in the form of an instant access liquidity management account. The NatWest account is an operational account held in order to facilitate the subscription/redemption process should client subscriptions not settle in sufficient time.

10. DEBTORS AND OTHER RECEIVABLES

	2019	(restated) 2018
	£000	£000
Amounts owed by UBS Group Entities	12,872	9,558
Accrued income	5,274	11,779
	18,146	21,337

The 2018 comparative number for 'Amounts owed by UBS Group Entities' has been restated by £3.8m from £5.8m to £9.6m.

UBS ASSET MANAGEMENT FUNDS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2019

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

		(restated)
	2019	2018
	£000	£000
Amounts owed to UBS Group Entities	8,742	10,892
Corporation taxation	1,412	1,343
Accruals and deferred income	392	655
VAT payable	430	366
	<u>10,976</u>	<u>13,256</u>

The 2018 comparative number for 'Amounts owed to UBS Group Entities' has been restated by £2.8m from £8.1m to £10.9m.

12. FINANCIAL INSTRUMENTS

RISK MANAGEMENT

Sound risk management and control is an integral part of creating a sustainable business and delivering ongoing value for stakeholders. Failure to establish and sustain an effective firm-wide risk culture, and to adequately manage and control risks, leads to financial loss and damage to our reputation and to the trust of our stakeholders. The Board of Directors are ultimately responsible for adequate risk management and establishing an integrated and institution-wide risk culture.

The Company is subject to the UBS Risk Management and Control Principles, which apply to the UBS Group, and are designed to support optimal risk-return decisions. Holistic governance together with aligned risk, compliance and finance processes are designed to help protect the Company from unacceptable damage to its financial strength, performance and reputation. Also, the risk management and control processes of the Company help to ensure that risk and return objectives are appropriately balanced in order to achieve sustainable earnings growth within the risk appetite established by the Board of Directors of the Company.

Debt instruments at amortized cost

The Company invests in fixed interest UK Government Gilts with a maturity of less than one year. The purpose of this investment is to reduce overall credit concentration risk whereby in prior periods significant amount of cash was held in bank accounts.

Credit risk

The maximum credit risk exposure relating to debt instruments is represented by the carrying value as at the balance sheet date.

At as 31st December 2019 the debt instruments have a rating of AA based on Standard & Poor's credit ratings.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2019

12. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

Trade debtors contain both the accrued and invoiced management and performance fees. The majority of this balance relates to fund management fees where there is a daily accrual, by the underlying fund, to provide for the fee receivable against the assets under management. The Company will then invoice the client on a monthly basis and payment is received promptly via a direct debit. Counterparty credit risk is reduced given the fees are invoiced more regularly and the Company also has recourse to the asset base as opposed to the client directly. The Company so far has not had any trade debtors default. To date, there is currently £64,506 of debtors that are past due but there are no indications that this will not be received in full.

Interest rate risk

The holding of UK Gilts gives rise to interest rate risk. Whilst these instruments are intended to be held to maturity and are accounted for on that basis, the interest rate risk represents the risk to the value that would be achieved if they were sold before maturity. In order to assess this at 31st December 2019, the holdings were subjected to possible changes to interest rates and the impact of those changes reflected in the below sensitivity analysis:

	<i>Impact on profit before tax £000</i>
31 December 2019	
+200 basis points	(91)
-200 basis points	91

Liquidity risk

Liquidity risk is the risk that a firm, although solvent, does not have sufficient available financial resources to meet its obligations as they fall due. A firm may not include liquidity resources that can be made available by other members of its group. The Company must also comply with the UBS Group Liquidity and Funding policies.

With over 54% of gross assets held in cash and marketable securities, the Company maintains very high levels of liquidity. Generally cash flows in and out of the Company in a balanced way, with inflows and outflows matching. The Directors ensure that at all times the Company maintains liquidity resources which are adequate (in both amount and quality) to ensure that there is no significant risk that liabilities cannot be met as they fall due.

All debt instruments have a maturity of less than one year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2019

12. FINANCIAL INSTRUMENTS (CONTINUED)

Natural disaster risk

This is covered in the strategic report under the 'Principle risks and uncertainties' section on page 7 and in note 1 – 'Accounting policies'.

FAIR VALUE HIERARCHY

All debt instruments, £11,720,000, have been categorised as Level 1 for fair value hierarchy purposes.

The Company uses the following valuation techniques for determining and disclosing the fair value hierarchy of its financial instruments:

Quoted market prices in active markets - ("Level 1")

Valuation technique: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

These are investments whose fair value is determined using observable, unadjusted quoted prices in active markets for identical assets. An active market is one in which transactions for the asset occurs with sufficient frequency and volume to provide pricing information on an ongoing basis. Listed debt and equities securities in active markets and quoted unit trusts in active markets would typically be classified within Level 1 of the fair value hierarchy.

Internal models with significant observable market parameters - ("Level 2")

Valuation technique: Other techniques for which the lowest level inputs that are significant to the fair value measurement, either directly or indirectly.

These are investments whose fair value is determined using inputs, other than quoted prices included within Level 1 inputs, that are observable either directly or indirectly through corroboration with market data.

Level 2 inputs include the following:

- Evaluated prices based on a compilation of primary observable market information or a broker quote in a non-active market
- Prices based on a Net Asset Value ("NAV") from a fund manager
- Quoted prices for similar (i.e. not identical) assets in active markets
- Inputs other than quoted prices that are observable for the asset (for example, benchmark yields, base spreads, adjustment for corporate actions and reported trades)

Money market vehicles, unlisted fixed income securities, valued using third-party fair value models, unlisted collective investment vehicles and most derivatives are generally classified within Level 2 of the fair value hierarchy.

Internal models with significant unobservable market parameters - ("Level 3")

Valuation technique: Valuation techniques for which the lowest level input which is significant to the fair value measurement is unobservable.

UBS ASSET MANAGEMENT FUNDS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2019

13. CALLED UP SHARE CAPITAL

	2019	2018
	£000	£000
Authorised and paid: Ordinary shares of £1 each	26,000	26,000

14. PARENT UNDERTAKINGS

The Company's immediate parent undertaking is UBS Asset Management Holding Ltd. The group into which the Company is consolidated and the ultimate parent undertaking and controlling party is UBS Group AG, a company incorporated in Switzerland. This is the largest group company preparing consolidated financial statements which include the Company's financial statements.

Copies of the financial statements of UBS Group AG can be obtained from:

Company Secretary
UBS AG London Branch
5 Broadgate
London EC2M 2QS

Or can be downloaded from:

<https://www.ubs.com/global/en/investor-relations/financial-information/annual-reporting.html>

15. EVENTS AFTER THE BALANCE SHEET DATE

COVID-19 is considered to be a non-adjusting post balance sheet event and as such no adjustments have been made to the valuation of assets and liabilities as at 31 December 2019. For further discussion concerning the management assessment of COVID-19 impact on the Company refer to Note 1 – 'Accounting policies' and the 'Principal risks and uncertainties' section of the Strategic report.

16. AIFMD AND UCITS V REMUNERATION DISCLOSURE (UNAUDITED)

The remuneration disclosure requirement for the Alternative Investment Fund Managers Directive ("AIFMD") and UCITS V have been made available in the financial statements of the Alternative Investment Funds (AIFs) and UCITS management companies respectively. The Company has not made any additional disclosure in its financial statements for the year ended 31 December 2019 however it may choose to include these disclosures in subsequent years.