



The Charibond Charities
Fixed Interest Common Investment Fund
Annual Long Report and audited Financial Statements
for the year ended 31 October 2018

Contents

Manager's Report	Page	1
Directors' statement	Page	1
Financial highlights	Page	6
Operating charges and portfolio transaction costs	Page	7
Specific share type performance	Page	8
Financial statements and notes	Page	9
Notes to the financial statements	Page	9
Reports	Page	14
Manager's responsibilities	Page	14
Board responsibilities and report	Page	14
Statement of the Trustee's responsibilities and report of the Trustee	Page	14
Independent auditor's report	Page	15
Other regulatory disclosures	Page	17
Appendix	Page	18
Glossary	Page	19

Manager's Report

The Manager of The Charibond Charities Fixed Interest Common Investment Fund presents its Annual Long Report and audited Financial Statements for the year ended 31 October 2018.

Fund information

The Charibond Charities Fixed Interest Common Investment Fund (Charibond) was established in 1976 by the Charity Commissioners under Section 22 of the Charities Act 1960, as a common investment fund. The Charities Act 1960 has now been superseded by the Charities Act 2011.

Any charity in the United Kingdom which is not precluded from investing in common investment funds can invest in Charibond under the provisions of the Charities Act 2011. Charibond is a companion fund to Charifund – The Equities Investment Fund for Charities – which was launched in 1960 and which is a vehicle for the equity portion of charities' investment portfolios.

Charibond qualifies as an alternative investment fund under the Alternative Investment Fund Managers Directive (2011/61/EU).

M&G Securities Limited (the Manager) is the Alternative Investment Fund Manager and a charity trustee of the fund while M&G Investment Management Limited is the investment adviser.

Charibond - Registered with the Charity Commission for England and Wales No. 271815

Fund manager

Jamie Hamilton

Jamie Hamilton is employed by M&G Limited which is an associate of M&G Securities Limited and M&G Investment Management Limited.

Manager

M&G Securities Limited

Laurence Pountney Hill, London EC4R 0HH

Telephone: 020 7626 4588

(Authorised and regulated by the Financial Conduct Authority)

Directors of the Manager

M Ammon*, G N Cotton, N M Donnelly, P R Jelfs,
G W MacDowall, L J Mumford

* Appointed 26 July 2018.

W J Nott resigned with effect from 31 December 2017.

Board

D S S Chichester (Chairman), A W Behrens, B S Bostrom,
S M Corbett LVO, A F Gibbs, L E Linaker, G A Prescott BA FCA,
N C Talbot Rice

Investment adviser

M&G Investment Management Limited

Laurence Pountney Hill, London EC4R 0HH

(Authorised and regulated by the Financial Conduct Authority)

Registrar

DST Financial Services Europe Ltd,

DST House, St. Nicholas Lane, Basildon, Essex SS15 5FS

(Authorised and regulated by the Financial Conduct Authority)

DST Financial Services Europe Ltd act as the administrators for Charibond.

The Register of Shareholders can be inspected during business hours at: DST House, St Nicholas Lane, Basildon, Essex SS15 5FS

Corporate Trustee

NatWest Trustee & Depository Services Limited, Drummond House,
1 Redheughs Avenue, Edinburgh EH12 9RH, UK

(Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority)

Independent auditor

Ernst & Young LLP

Atria One, 144 Morrison Street, Edinburgh EH3 8EX

Important information

On 28 September 2018, the Corporate Trustee changed from National Westminster Bank Plc to NatWest Trustee & Depository Services Limited.

Investor information

The Scheme Particulars and the Scheme as well as the latest Annual or Interim Long Report and Financial Statements are available free of charge on request from the following address. The Instrument of Incorporation can also be inspected at our offices or at the office of the Trustee.

Customer services and administration

M&G Charity Team, PO Box 9038, Chelmsford CM99 2XF

Telephone: 0800 917 4472

If you need more information about investing, please contact us direct. Alternatively, if you wish to obtain advice as to whether this investment is suitable for your needs, you should consult a financial adviser.

If you would like a list of financial advisers in your area, please visit www.unbiased.co.uk.

We can answer your questions and take your instructions between 9.00am and 5.00pm Monday to Friday. For security purposes, and to improve the quality of our service, we may record and randomly monitor telephone calls.

If you already invest with us, please quote your M&G holding reference number (shown on your income vouchers or statements) when you contact the M&G Charity Team. Please note that M&G Securities Limited does not offer investment advice or make any recommendations regarding investments.

Directors' statement

The report is signed in accordance with the requirements of the Financial Conduct Authority's Investment Funds sourcebook ('FUND'), as issued and amended by the Financial Conduct Authority.

G W MacDowall

L J Mumford

} Directors of M&G Securities Limited

28 November 2018

Manager's Report

Investment objective and policy

Charibond provides a managed investment for the fixed interest portion of charities' investment portfolios. The fund provides charities with an actively managed portfolio of gilt-edged and other fixed interest stocks and deposits designed to produce a high income while preserving capital value.

Investment approach

The Charibond Charities Fixed Interest Common Investment Fund (Charibond) is designed to provide an investment for the fixed interest portion of charities' portfolios. As a common investment fund, any charity registered in the UK can invest in Charibond, unless prohibited by its trust deed, under the provisions of the Charities Act 2006.

Charibond has an independent Board while M&G Securities Limited are the fund managers. The aim of Charibond is to provide charities with an actively managed fixed interest fund that invests in deposits, UK government bonds (gilts) and other sterling-denominated fixed interest securities, designed to produce a high income while preserving capital values.

Risk profile

The fund invests mainly in sterling-denominated fixed income securities, or bonds, issued by the UK government and companies. It is primarily subject to the price volatility of the UK bond market as well as the performance of individual issuers. The fund's focus is on government bonds and high-quality corporate bonds, securities that are normally traded with relative ease. Portfolio diversification is key in managing liquidity and default risks as well as reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

Investment review

As at 1 November 2018, for the year ended 31 October 2018

Distribution summary

A distribution of 3.25p gross per Income share was paid for the 12 months under review, consisting of one quarterly payment of 1.15p in February 2018, two quarterly payments of 0.70p each in May and August 2018, and a final distribution of 0.70p for payment in December 2018.

In Charibond's last annual report, it was noted that the fund continued to be positioned to be less sensitive to the probability of rising interest rates. This strategy, known as holding low or short duration, is based on having larger allocations to shorter dated bonds in preference to long-dated bonds. The last annual report also noted that the Board of Charibond was reviewing the fund's guideline limits on duration. The Board reviewed the possibility that further freedom could be given to the fund manager to extend its short duration positioning if this was felt warranted by the economic outlook. While such a strategy is designed to support the capital value of the fund, it was also noted that shorter dated bonds typically offer lower yields and, therefore, we might have to reduce the fund's distribution in 2018. During the review period, the fund manager was granted increased flexibility to hold lower duration, and the fund's duration was subsequently reduced. As a consequence, the fund's distribution was cut to 0.70p gross per Income share per quarter from May 2018. The distribution yield of the fund was 2.3% on 1 November 2018.

The fund's gross redemption yield after expenses was 1.6% as at 1 November 2018, compared with the gross redemption yield of 1.5% on 10-year UK government bonds (gilts). Gross redemption yield is an estimate of the total return achieved by holding a fixed interest security to its final payment date. Yields are not fixed and will vary.

Performance against objective

Charibond recorded a flat total return of 0.0% (the combination of income and growth of capital) over the 12 months from 1 November 2017 to 1 November 2018. Charibond provides a managed investment for the fixed income portion of charities' investment portfolios. The fund provides charities with an actively managed portfolio of gilt-edged and other fixed income stocks and deposits designed to produce a high income while preserving capital value.

Investment performance

A number of global themes remained in focus in global financial markets during the 12 months to 31 October 2018, including higher interest rates and inflation. Importantly, further interest rate rises were confirmed in the US, while the Bank of England (BoE) announced two increases of 0.25% each in November and August. These moves took the BoE's base interest rate up to 0.75%.

Investors also continued to assess the prospect of central banks in Europe and Japan reducing their significant economic stimulus measures. A main purpose of these measures includes keeping interest rates low. However, interest rate policies were left unchanged in these regions during the period.

Manager's Report

Investment review

Investment performance (continued)

In the UK, significant uncertainty remained about the terms of the country's Brexit deal with the European Union (EU). This contributed to times of negative sentiment towards UK bonds, as well as generally weak performance by sterling. (Bonds are loans in the form of a security, usually issued by a government – government bonds – or company – corporate bonds – which normally pay a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid.)

Elsewhere, investors in Europe became concerned towards the end of the period with Italian proposals to increase the country's budget deficit. The plans, which met with stern opposition from the EU, were drafted after an anti-establishment party gained a strong presence in Italy's new coalition government.

In the bond markets, actual or expected rises in inflation or interest rates typically dampen sentiment towards government bonds. The effects of US interest rate moves can even be felt internationally, given the size and influence of the US market within a global context. Political uncertainty, such as caused by Brexit-related concerns and the rhetoric of Italy's new government, can add to investors' caution.

Against this backdrop, US government bond prices generally declined in the review period and returns were mixed among eurozone government bonds. In the UK, shorter dated government bonds registered only slight gains, while their longer dated counterparts produced modestly better results.

Performance was also mixed among corporate bonds, with segments of the UK high-quality corporate bond market delivering small increases or marginally negative/flat returns. Sentiment towards corporate bonds – and international stockmarkets – became increasingly affected by concerns of a trade war developing between the US and China. This theme unfolded as President Trump announced trade tariffs on selected imports from China, which responded with its own tariffs on US goods. In addition, during the latter months of the review period, global economic growth forecasts began to moderate, which added some further caution to the corporate outlook. Such factors contributed to segments of the corporate bond markets giving back their gains from earlier in the review period and, in the fund, we reduced our overall exposure to these assets.

At the same time, bond investors continued to weigh up the prospect and implications of higher interest rates and inflation as the review period drew to a close. In the UK, inflation remained above the BoE's 2% target. In the latter months of the period, the annual inflation rate was confirmed at 2.7% and 2.4% in August and September, respectively. Central banks often respond to above-target inflation with interest rate rises and, against this backdrop, we continued to prefer a cautious stance in terms of the fund's overall positioning. This largely focused on maintaining an increased allocation to bonds that are less sensitive to interest rate movements – a strategy known as holding low or short duration.

During the review period, the Board of Charibond reviewed the fund's guideline limits on duration, granting extended flexibility to lower duration if it was felt warranted by the economic outlook. We took advantage of this increased freedom by reducing the fund's duration based on our belief that the outlook may see further rises in interest rates. During the period, however, these shorter duration bonds underperformed, a factor that detracted from the fund's overall relative performance and contributed to its delivery of a flat return. Despite this outcome, based on our long-term view, holding a low duration level remains our preferred strategy for the fund.

Investment activities

Our main investment themes included adjusting the fund's positioning to be less sensitive to interest rate movements. This activity involved switching some of the fund's holdings of government and corporate bonds to reduce its duration level. In the former area, for example, our larger transactions included a switch of UK government bonds maturing in 2028 into securities that mature in 2020.

Turning to the fund's corporate bond exposure, while the overall allocation was reduced, our transactions also included switching longer dated bonds into shorter-dated investments. Among the fund's sales were bonds from UK housing associations such as Peabody Group, Affinity Sutton and Sovereign Housing. While we maintained the view that these groups offered solid creditworthiness, bonds from housing associations (including those held by the fund) tend to have longer maturity dates. Given this factor, they were less suited to our increased bias of a shorter duration stance in the fund. Elsewhere, a holding in investment group Peel Land & Property was also sold.

The fund's purchases included financial issuers on a selective basis. These included bonds from insurance company Scottish Widows, Coventry Building Society, and sterling-denominated securities from a unit of Westpac, the Australian banking group. The financials sector remains one of our favoured areas of the corporate bond market. Our view is based on factors such as relative valuation levels and the improved creditworthiness of financial issuers following tighter regulatory controls in the industry.

Among other transactions, we switched some long-dated holdings in the utilities sector into short-dated bonds from utility companies. The fund bought bonds from UK electricity supplier Western Power within this activity.

At the end of October 2018, the fund's allocations to government and corporate bonds were 58.9% and 39.4%, respectively, compared to respective positions of 53.6% and 45.4% at the start of the review period.

Manager's Report

Investment review

Outlook

The active management of the fund's allocations to government and high-quality corporate bonds, as well as its duration, remain key drivers of its long-term performance. Through this flexible approach, we continue to hold low duration in the portfolio to try to support the fund against the prospect of yields rising. In our view, against the backdrop of firmer inflation trends, the outlook remains of central banks tightening their monetary policies after the recent years of ultra-low interest rates.

We reduced the fund's overall exposure to corporate bonds in the past year, a move that partly reflects signs that global economic growth forecasts are moderating. However, our long-term preferred investment strategy still includes holding a mix of highly rated corporate bonds and government securities. We believe that corporate bonds can offer relatively attractive yields on a selective basis above those of government bonds, to compensate for taking on additional degrees of risk. In the fund, we favour maintaining a diversified allocation to corporate holdings across industry sectors and individual issuers.

Overall, we will continue to select the fund's investments in government and corporate bonds, as well as manage its duration, based on where we assess the best relative value can be found amid the prevailing economic conditions.

Jamie Hamilton

Fund manager

The fund's investment portfolio is set out on pages 4 and 5.

Jamie Hamilton is an employee of M&G Limited which is an associate of M&G Securities Limited and M&G Investment Management Limited.

Please note that the views expressed in this Report should not be taken as a recommendation or advice as to how Charibond or any holding mentioned is likely to perform. If a charity wishes to obtain financial advice as to whether an investment is suitable for its needs, it should consult a financial adviser.

Investments

Portfolio statement

as at 31 October	2018	2018	2017
Holding	£'000	%	%
FIXED INCOME	132,533	98.56	98.31
Debt securities	132,533	98.56	98.31
'AAA' credit rated bonds	842	0.63	0.54
£772,000 Santander 5.125% 2021	842	0.63	
'AA' credit rated bonds	83,313	61.96	57.72
£385,000 Metropolitan Life Global Funding I 2.625% 2022	399	0.30	
£306,000 Metropolitan Life Global Funding I 3.5% 2026	335	0.25	
£777,000 Osterreichische Kontrollbank 5.75% 2028	1,044	0.78	
£1,425,000 SLM Student Loan Trust 5.15% 2039	1,359	1.01	
£67,993,222 Treasury 0.5% 2022	67,024	49.84	
£12,043,246 Treasury 1.75% 2019	12,130	9.02	
£1,000,000 Westpac Securities 2.5% 2021	1,022	0.76	
'A' credit rated bonds	22,470	16.70	16.38
£374,000 América Móvil 5% 2026	440	0.33	
£1,300,000 América Móvil 5.75% 2030	1,645	1.22	
£219,402 Canary Wharf Finance 6.455% 2033	274	0.20	
£587,000 Comcast 5.5% 2029	741	0.55	
£1,177,000 Eastern Power Networks 4.75% 2021	1,282	0.95	
£1,100,000 EDF 6.875% 2022	1,325	0.99	
£950,000 ELM Var. Rate Perp. (6.3024%)	958	0.71	
£1,000,000 Eni Finance International 6.125% 2018	1,006	0.75	
£365,000 Experian Finance 4.75% 2018	366	0.27	
£1,500,000 Heathrow Funding Var. Rate 2023 (9.2%)	1,768	1.32	
£347,000 Housing Finance 8.625% 2023	446	0.33	
£293,000 HSBC Bank Var. Rate 2030 (5.375%)	334	0.25	
£460,310 Income Contingent Student Loans 2.5% 2056	446	0.33	
£1,300,000 Muenchener Rueckversicherungs-Gesellschaft Var. Rate 2042 (6.625%) (formerly Munich Re Var. Rate 2042 (6.625%))	1,471	1.09	
£800,000 NatWest Markets (formerly Royal Bank of Scotland) 5.125% 2024	937	0.70	
£567,000 Northern Powergrid (Yorkshire) 2.5% 2025	580	0.43	
£925,000 Notting Hill Housing Trust 3.75% 2032	993	0.74	
£750,000 Places for People Homes 5.875% 2031	921	0.68	
£1,000,000 Santander 3.875% 2029	1,088	0.81	
£1,000,000 South Eastern Power Networks 5.625% 2030	1,269	0.94	
£640,000 Wales & West Utilities 5% 2028	769	0.57	
£1,100,000 Wells Fargo & Company 2.125% 2022	1,104	0.82	
£1,118,000 Western Power Distribution West Midlands 3.875% 2024	1,209	0.90	
£1,000,000 Zurich Finance (UK) Var. Rate Perp. (6.625%)	1,098	0.82	

Manager's Report

Investments

Portfolio statement (continued)			
as at 31 October	2018	2018	2017
Holding	£'000	%	%
'BBB' credit rated bonds	18,448	13.72	15.11
£1,270,000 Annington Funding 2.646% 2025	1,250	0.93	
£1,050,000 AT&T 5.5% 2027	1,229	0.91	
£1,050,000 Aviva Var. Rate Perp. (6.125%)	1,117	0.83	
£1,000,000 Bank of America 5.5% 2021	1,099	0.82	
£1,250,000 Bank of Scotland 6.375% 2019	1,296	0.96	
£300,000 Chorus 6.75% 2020	320	0.24	
£785,000 Clydesdale Bank 4.625% 2026	936	0.70	
£1,340,000 Credit Suisse Group Var. Rate 2025 (2.125%)	1,282	0.95	
£1,135,000 FCE Bank 2.727% 2022	1,126	0.84	
£1,083,000 Gatwick Funding 5.25% 2026	1,240	0.92	
£153,000 GKN Holdings 3.375% 2032	143	0.11	
£1,080,000 KPN 5% 2026	1,235	0.92	
£100,000 Liberty Living 2.625% 2024	99	0.07	
£1,150,000 Scottish Widows 5.5% 2023	1,257	0.93	
£1,332,000 Severn Trent Utilities Finance 1.625% 2022	1,325	0.99	
£512,000 SP Manweb 4.875% 2027	604	0.45	
£720,000 SPD Finance UK 5.875% 2026	889	0.66	
£100,000 Standard Life Aberdeen Var. Rate 2042 (5.5%) (formerly Standard Life Var. Rate 2042 (5.5%))	111	0.08	
£618,000 UBS Jersey Var. Rate 2024 (6.375%)	646	0.48	
£1,075,000 Verizon Communications 4.75% 2034	1,244	0.93	
'BB' credit rated bonds	688	0.51	0.67
£507,930 Tesco Property Finance 1 7.6227% 2039	688	0.51	
Bonds with no credit rating	6,772	5.04	7.89
£235,000 British Land 5.357% 2028	281	0.21	
£465,000 British Land 5.357% 2028 (Bearer)	558	0.41	
£1,000,000 Coventry Building Society 1.875% 2023	980	0.73	
£1,003,000 Eversholt Funding 6.359% 2025	1,218	0.91	
£550,000 Leeds Building Society 4.25% 2018	552	0.41	
£1,250,000 Segro 2.375% 2029	1,199	0.89	
£750,000 TSB Bank Var. Rate 2026 (5.75%)	775	0.58	
£1,296,000 Yorkshire Building Society Var. Rate 2028 (3.375%)	1,209	0.90	
Portfolio of investments	132,533	98.56	98.31
CASH EQUIVALENTS	0	0.00	0.83
'AAA' rated money market funds [a]	0	0.00	0.83
Total portfolio (notes 2c & 2d on pages 9 & 10)	132,533	98.56	99.14
Net other assets / (liabilities)	1,932	1.44	0.86
Net assets attributable to shareholders	134,465	100.00	100.00

All securities are on an official stock exchange listing except where referenced.

[a] Uncommitted surplus cash is placed into 'AAA' rated money market funds with the aim of reducing counterparty risk.

Financial highlights

Fund performance

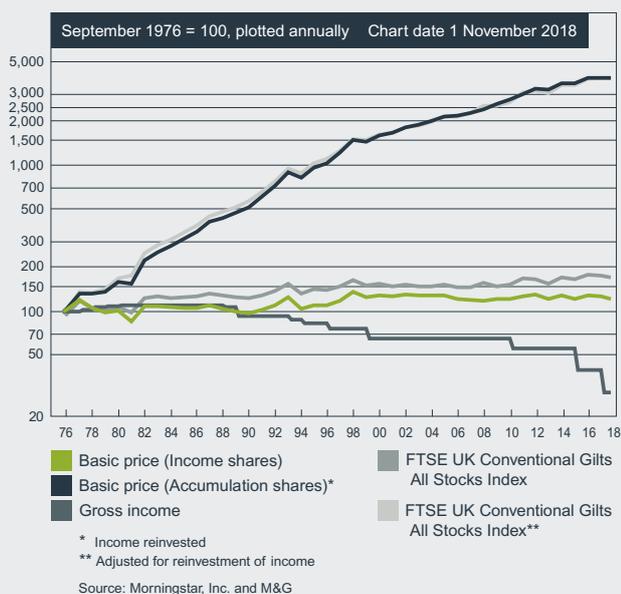
Please note past performance is not a guide to future performance and the value of investments, and the income from them, will fluctuate. This will cause the fund price to fall as well as rise and a charity may not get back the original amount it invested.

Fund level performance

Fund net asset value			
as at 31 October	2018 £'000	2017 £'000	2016 £'000
Fund net asset value (NAV)	134,465	163,705	174,540

Performance since launch

To give an indication of how the fund has performed since launch, the graph below shows the return of Income shares and Accumulation shares. For a more detailed view of how Income shares and Accumulation shares have performed since launch please see the Appendix section at the back of this report.



To give an indication of the performance of the fund, the following table shows the absolute return, over the period. Calculated on a price to price basis.

Long-term performance

as at 1 November 2018	One year 01.11.17 %	Three years 02.11.15 %	Five years 01.11.13 %	Since launch 07.09.76 %
Charibond Income shares	-2.6	+0.3	-2.2	+21.9
FTSE British Government All Stocks Index	-1.5	+2.5	+7.7	+71.8
Charibond Accumulation shares ^[a]	-0.0	+10.6	+19.7	+3,884.0
FTSE British Government All Stocks Index ^[a]	+1.3	+11.7	+25.5	+3,858.1

^[a] Income reinvested.

Single year performance (5 years ending October)

From To	01.11.17 %	01.11.16 %	01.11.15 %	01.11.14 %	01.11.13 %
Charibond ^[a]	-0.0	+1.2	+9.6	+3.0	+4.5

^[a] Income shares, price to price with income reinvested.

Source: Morningstar, Inc.

Past performance is not a guide to future performance.

The value of fixed interest investments, and the yield from them, will fluctuate. This will cause the fund share price to fall as well as rise and a charity may not receive back the amount it originally invested.

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

We explain below the payments made to meet the ongoing costs of investing and managing the fund, comprised of operating charges and portfolio transaction costs.

Operating charges

Operating charges include payments made to M&G and to providers independent of M&G:

- **Investment management:** Charge paid to M&G for investment management of the fund (also known as Annual Management Charge).
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated.

The operating charges paid by each share type of the fund are shown in the following performance tables. Operating charges do not include portfolio transaction costs or any entry and exit charges (also known as initial and redemption charges).

Portfolio transaction costs

Portfolio transaction costs are incurred by funds when buying and selling investments. These costs vary depending on the types of investment, their market capitalisation, country of exchange and method of execution. They are made up of direct and indirect portfolio transaction costs:

- **Direct portfolio transaction costs:** Broker execution commission and taxes.
- **Indirect portfolio transaction costs:** 'Dealing spread' – the difference between the buying and selling prices of the fund's investments; some types of investment, such as fixed interest securities, have no direct transaction costs and only the dealing spread is paid.

Investments are bought or sold by a fund when changes are made to the investment portfolio and in response to net flows of money into or out of the fund from investors buying and selling shares in the fund.

To protect existing investors, portfolio transaction costs incurred as a result of investors buying and selling shares in the fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive. As the fund invests wholly in fixed interest securities no direct portfolio transaction costs are applicable. To give an indication of the indirect portfolio dealing costs the table below shows the average portfolio dealing spread.

Further information on this process is in the Scheme Particulars, which is available free of charge on request by calling the M&G Charity Team on 0800 917 4472.

Portfolio transaction costs

as at 31 October	2018	2017	2016	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.22	0.37	0.55	0.38

[a] Average of first three columns.

Financial highlights

Specific share type performance

The following tables show the performance of each share type. All 'Performance and charges' percentages represent an annual rate except for the 'Return after operating charges' which is calculated as a percentage of the opening net asset value per share (NAV). 'Dilution adjustments' are only in respect of direct portfolio transaction costs.

Income share performance

The share type was launched on 7 September 1976.

for the year to 31 October Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	125.41	127.77	121.55
Return before operating charges and after direct portfolio transaction costs	0.38	2.71	11.28
Operating charges	(0.45)	(0.47)	(0.46)
Return after operating charges	(0.07)	2.24	10.82
Distributions	(3.25)	(4.60)	(4.60)
Closing NAV	122.09	125.41	127.77
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.36	0.36	0.36
Return after operating charges	-0.06	+1.75	+8.90
Distribution yield	2.28	3.63	3.56
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	118,845	146,388	158,045
Closing NAV percentage of total fund NAV (%)	88.38	89.42	90.55
Number of shares	97,343,534	116,730,475	123,690,875
Highest share price (UK p)	127.45	130.20	136.17
Lowest share price (UK p)	121.67	125.49	121.23

Accumulation share performance

The share type was launched on 7 September 1976.

for the year to 31 October Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	3,990.75	3,921.81	3,598.27
Return before operating charges and after direct portfolio transaction costs	12.48	83.44	337.40
Operating charges	(14.42)	(14.50)	(13.86)
Return after operating charges	(1.94)	68.94	323.54
Distributions	(104.43)	(143.12)	(137.89)
Retained distributions	104.43	143.12	137.89
Closing NAV	3,988.81	3,990.75	3,921.81
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.36	0.36	0.36
Return after operating charges	-0.05	+1.76	+8.99
Distribution yield	2.28	3.63	3.56
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	15,620	17,317	16,495
Closing NAV percentage of total fund NAV (%)	11.62	10.58	9.45
Number of shares	391,600	433,946	420,591
Highest share price (UK p)	4,055.84	4,088.90	4,142.25
Lowest share price (UK p)	3,919.01	3,851.58	3,589.15

^[a] In respect of direct portfolio transaction costs.

^[b] As a percentage of average net asset value.

Financial statements and notes

Financial statements

Statement of total return

for the year to 31 October	Note	2018		2017	
		£'000	£'000	£'000	£'000
Income					
Net capital gains / (losses)	4		(3,415)		(1,612)
Revenue	6	3,767		5,055	
Expenses	7	(551)		(620)	
Net revenue / (expense) before taxation		3,216		4,435	
Taxation	8	0		0	
Net revenue / (expense) after taxation			3,216		4,435
Total return before distributions			(199)		2,823
Distributions	9		(4,388)		(6,224)
Change in net assets attributable to shareholders from investment activities			(4,587)		(3,401)

Statement of change in net assets attributable to shareholders

for the year to 31 October	2018		2017	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		163,705		174,540
Amounts received on issue of shares	2,603		14,599	
Amounts paid on cancellation of shares	(27,738)		(22,729)	
		(25,135)		(8,130)
Dilution adjustments		42		81
Change in net assets attributable to shareholders from investment activities (see above)		(4,587)		(3,401)
Retained distributions on Accumulation shares		440		615
Closing net assets attributable to shareholders		134,465		163,705

Balance sheet

as at 31 October	Note	2018 £'000	2017 £'000
Assets			
Fixed assets			
Investments		132,533	160,935
Current assets			
Debtors	10	1,348	3,089
Cash and bank balances	11	1,706	0
Cash equivalents		0	1,364
Total assets		135,587	165,388
Liabilities			
Creditors			
Bank overdrafts		0	(2)
Distribution payable		(681)	(1,342)
Other creditors	12	(441)	(339)
Total liabilities		(1,122)	(1,683)
Net assets attributable to shareholders		134,465	163,705

Notes to the financial statements

1 Statement of compliance

The financial statements have been prepared in compliance with UK Financial Reporting Standard 102 (FRS 102) and in accordance with both the Charities (Accounts and Reports) Regulations 2008 and the Statement of Recommended Practice for Authorised Funds issued by the Investment Association in May 2014 (2014 SORP).

2 Summary of significant accounting policies

a) Basis of preparation

The financial statements are prepared on a going concern basis, under the historical cost convention as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss.

b) Functional and presentational currency

The functional and presentational currency is UK sterling.

c) Exchange rates

Transactions in currencies other than the fund's functional currency are translated at the rate of exchange ruling on the date of the transaction and where applicable assets and liabilities are translated into the fund's functional currency at the rate of exchange ruling as at 12 noon on 31 October 2018 being the last business day of the accounting period.

d) Investments – recognition and valuation

The provisions of both Section 11 and Section 12 of FRS 102 have been applied in full. All investments have been designated as fair value through profit and loss and recognised initially at fair value, which is normally the transaction price (excluding transaction costs and accrued interest).

At the end of the reporting period all investments have been measured at their fair value using the prices and the portfolio holdings determined at 12 noon on 31 October 2018, the last valuation point of the accounting period, as this is not materially different from a valuation carried out at close of business on the balance sheet date.

Where separate bid and offer prices are available, the bid price is used for investment assets and the offer price for investment liabilities. Otherwise, the single price or most recent transaction price is used. Interest accrued is not included in the fair value. The methods of determining fair value for the principal classes of investment are:

- Equities and debt securities which are traded on an active market are included at the quoted price, which is normally the bid price, excluding any accrued interest in respect of bonds.
- Equities traded on the Alternative Investment Market (AIM), whose liquidity cannot be guaranteed, are included at their quoted bid price as this represents the most objective and appropriate method of valuation.
- Collective investment schemes operated by the Manager are included at either their cancellation price for dual priced funds or their single price for single priced funds.
- Collective investment schemes operated by another manager are included at either their bid price for dual priced funds or their single price for single priced funds.

Financial statements and notes

Notes to the financial statements

2 Summary of significant accounting policies (continued)

d) Investments – recognition and valuation (continued)

- Other equities and debt securities which are unquoted or not actively traded on a quoted market are included at a value estimated by the Manager using an appropriate valuation technique, excluding any accrued interest in respect of bonds.

e) Recognition of income and expenses

- Dividends, including ordinary stock dividends, from equity investments are recognised when the security is quoted ex-dividend.
- Distributions from collective investment schemes are recognised when the scheme is priced ex-distribution.
- Interest income, including coupons from debt securities and bank interest is recognised on an accruals basis.
- Underwriting commission is recognised when the issue takes place.
- Revenue from derivatives are recognised on an accruals basis.
- Fee rebates from investing in other collective investment schemes are recognised on an accruals basis.
- Expenses are recognised on an accruals basis.

f) Treatment of income and expenses

- Any increases or decreases in the fair value of investments and gains and losses realised on sales of investments are treated as capital and recognised in net capital gains / (losses).
- Ordinary equity dividends, including ordinary stock dividends are treated as revenue.
- Special equity dividends, share buy backs or additional share issues may be treated as revenue or capital depending on the facts of each particular case.
- The value of any enhancement to stock dividends is treated as capital.
- Distributions from collective investment schemes are treated as revenue in nature, except for any element of equalisation, which represents the average amount of income included in the price paid for the collective investment scheme, which is treated as capital.
- Debt security interest comprises the coupon interest and the difference between the purchase price and the expected maturity price spread over its expected remaining life. This is treated as revenue with the difference adjusting the cost of the shares and treated as capital.
- Other interest income, such as bank interest is treated as revenue.
- Underwriting commission is treated as revenue, except where the fund is required to take up all or some of the shares underwritten, in which case a proportion of the commission received is deducted from the cost of the shares and treated as capital.

- The treatment of the income on derivative contracts depends upon the nature of the transaction. Both motive and circumstances are used to determine whether the returns should be treated as capital or revenue. Where positions are undertaken to protect or enhance capital, and the circumstances support this, the returns are recognised in net capital gains; similarly where the motives and circumstances are to generate or protect revenue, and the circumstances support this, the returns are included within net revenue before taxation. Where positions generate total returns it will generally be appropriate to apportion such returns between capital and revenue to properly reflect the nature of the transaction.

- Expenses relating to the purchase and sale of investments are treated as capital; all other expenses are treated as revenue.
- Rebates of charges from holdings in collective investment schemes are treated as revenue or capital in accordance with the underlying scheme's distribution policy.

g) Tax

Dividends and similar income receivable is recognised at an amount that includes any withholding tax but excludes irrecoverable tax credits. Any withholding tax suffered is shown as part of the tax charge.

Tax is accounted for at the appropriate rate of corporation tax with relief for double taxation taken where appropriate. The tax accounting treatment follows the principal amounts involved.

Deferred tax is recognised in respect of temporary timing differences that have originated but not reversed by the balance sheet date. Deferred tax is measured on a non-discounted basis, at the average rate of tax expected to apply in the period in which it expects the deferred tax to be realised or settled. A deferred tax asset is only recognised to the extent that it is more likely than not that the asset will be recovered.

The fund is a registered charity and is therefore not currently liable to corporation tax on its revenue or capital gains.

h) Allocation of returns to share types

The annual management charge is directly attributable to individual share types. All other returns are apportioned to the fund's share types pro-rata to the value of the net assets of the relevant share type on the day that the income or expenses are recognised.

All available net revenue accounted for in accordance with the above policies, adjusted to exclude the amortisation in respect of the effective yield on debt securities, is distributed in accordance with the distribution policy to holders of Income shares or retained and reinvested for holders of Accumulation shares. Should expenses and taxation together exceed revenue, there will be no distribution and the shortfall will be met from capital.

The exclusion of the amortisation results in the amount available for distribution being determined by reference to the coupons of the debt securities. In the opinion of the Board, this is the most appropriate treatment having regard to the Scheme, the objectives of the fund and the requirements of the shareholders.

Unclaimed distributions will remain a liability of the fund until such a time as they are paid to shareholders.

Financial statements and notes

Notes to the financial statements

3 Distribution policy

In order to conduct a controlled dividend flow to shareholders, distributions will be at the fund manager's discretion, up to the maximum of the distributable income available at the end of the year. The fund is permitted to retain in reserves up to 15% of the current year's income.

The effect of amortisation will be added back to form part of the distributable revenue.

4 Net capital gains / (losses)

for the year to 31 October	2018 £'000	2017 £'000
Non-derivative securities	(3,415)	(1,612)
Net capital gains / (losses) ^[a]	(3,415)	(1,612)

^[a] Includes realised gains of £9,273,000 and unrealised losses of £12,688,000 (2017: realised gains of £3,267,000 and unrealised losses of £4,879,000). Certain realised gains and losses in the current year were unrealised in the prior year.

5 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on page 7.

for the year to 31 October	2018 £'000	2017 £'000
a) Purchases		
Debt securities ^[a]	153,607	50,090
Total purchases	153,607	50,090
b) Sales		
Debt securities ^[a]	177,364	50,808
Other transaction types		
Corporate actions	0	3,388
Total sales	177,364	54,196
c) Direct portfolio transaction costs		
There were no direct portfolio transaction costs		
d) Indirect portfolio transaction costs	%	%
Portfolio dealing spread ^[b]	0.22	0.37

^[a] These transaction types do not attract direct portfolio transaction costs.

^[b] Average portfolio dealing spread at the balance sheet date.

6 Revenue

for the year to 31 October	2018 £'000	2017 £'000
Interest distributions	6	5
Interest on debt securities	3,759	5,044
Other income	2	6
Total revenue	3,767	5,055

7 Expenses

for the year to 31 October	2018 £'000	2017 £'000
Payable to the Manager or associate		
Manager's annual management charge (including VAT)	548	615
Other expenses		
Audit fee (including VAT)	3	5
Total expenses	551	620
The following fees are borne by the Manager:	2018	2017
Payable to the Trustee or associate	£'000	£'000
Trustee's fee (including VAT)	14	15
Total expenses borne by the Manager	14	15

8 Taxation

for the year to 31 October	2018 £'000	2017 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Deferred tax (note 8c)	0	0
Total taxation	0	0
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	3,216	4,435
Corporation tax at 20%	643	887
Effects of:		
Revenue not taxable due to charitable status	(643)	(887)
Total tax charge (note 8a)	0	0
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 8a)	0	0
Provision at the end of the year	0	0

There is no unrecognised deferred tax asset at the year end (2017: same) because the Board considers that Charibond will maintain its charitable status indefinitely and will, therefore, not be subject to corporation tax under current legislation.

9 Distributions

for the year to 31 October	2018		2017	
	Inc ^[a] £'000	Acc ^[b] £'000	Inc ^[a] £'000	Acc ^[b] £'000
Interest distributions				
First interim	1,325	156	1,394	148
Second interim	776	97	1,337	152
Third interim	719	98	1,394	158
Final	681	89	1,342	157
Total distributions	3,941	3,941	6,082	6,082
Income deducted on cancellation of shares		490		319
Income received on issue of shares		(43)		(177)
Distributions	4,388	4,388	6,224	6,224
Net revenue / (expense) per statement of total return		3,216		4,435
Effective yield basis adjustment offset against capital		1,229		2,064
Undistributed income brought forward		1,761		1,486
Undistributed income carried forward		(1,818)		(1,761)
Distributions	4,388	4,388	6,224	6,224

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

Financial statements and notes

Notes to the financial statements

10 Debtors

as at 31 October	2018 £'000	2017 £'000
Debt security interest receivable	1,143	2,892
Other debtors	205	197
Total debtors	1,348	3,089

11 Cash and bank balances

as at 31 October	2018 £'000	2017 £'000
Cash held as bank balances	1,706	0
Total cash and bank balances	1,706	0

12 Other creditors

as at 31 October	2018 £'000	2017 £'000
Manager's annual management charge payable	12	13
Amounts payable on cancellation of shares	187	92
Distributions unclaimed in previous years	239	230
Expenses payable	3	4
Total other creditors	441	339

13 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2017: same).

14 Shares in issue

The following table shows each type of share in issue during the year. Each share type has the same rights on winding up.

Share type	Opening 01.11.17	Movements Issued	Cancelled	Closing 31.10.18
Sterling				
Income	116,730,475	1,287,059	(20,674,000)	97,343,534
Accumulation	433,946	26,650	(68,996)	391,600

15 Related parties

The Board, together with M&G Securities Limited and NatWest Trustee & Depositary Services Limited, are regarded as controlling parties and therefore related parties of the fund by virtue of having the ability to act in concert in respect of the operations of the fund. M&G Securities Limited acts as principal on all the transactions of shares in the fund. The aggregate monies received through issues, and paid on cancellations, are disclosed in the 'Statement of change in net assets attributable to shareholders' and note 9. Amounts due to / from M&G Securities Limited in respect of share transactions at the year end are disclosed in notes 10 and 11 where applicable.

Amounts paid to M&G Securities Limited in respect of the Manager's annual management charge are disclosed in note 7. Amounts due at the year end in respect of the Manager's annual management charge are disclosed in note 12.

Neither M&G Securities Limited nor NatWest Trustee & Depositary Services Limited entered into any other transactions with the fund during the year. Trustees of the fund are / may be Trustees of charities that invest in the fund.

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 16.36% (2017: 12.99%) of the fund's unit.

16 Events after the balance sheet date

There were no events after the balance sheet date to disclose.

17 Fair value analysis

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

Level 1: Unadjusted quoted price in an active market for an identical instrument

This includes instruments such as publicly traded equities, highly liquid bonds (e.g. Government bonds) and exchange traded derivatives (e.g. futures) for which quoted prices are readily and regularly available.

Level 2: Valuation technique using observable market data

This includes instruments such as over-the-counter (OTC) derivatives, debt securities, convertible bonds, mortgage-backed securities, asset-backed securities and open-ended funds which have been valued using models with observable market data inputs.

Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights. However no such financial instruments were held.

as at 31 October	Assets 2018 £'000	Liabilities 2018 £'000	Assets 2017 £'000	Liabilities 2017 £'000
Basis of valuation				
Level 1	79,154	0	87,655	0
Level 2	53,379	0	73,280	0
Level 3	0	0	0	0
	132,533	0	160,935	0

In accordance with FRS 102 (22.4a) the shares in issue meet the definition of a puttable instrument as the shareholders have the right to sell the shares back to the issuer. The shares in the fund may be issued and redeemed on any business day at the quoted price. These shares are not traded on an exchange. However, the price is observable and transactions within the fund take place regularly at that price. The shares in issue as detailed in note 14 meet the definition of a level 2 financial instrument 'Valuation techniques using observable market data'.

Financial statements and notes

Notes to the financial statements

18 Risk management policies

In pursuing the fund's investment objective, as set out in the Manager's Report, the Manager accepts market price risk and interest rate risk in relation to the investment portfolio. Generally, the Manager will not seek to hedge these exposures since it believes that, in the long term, such hedging would be detrimental to total return.

The Manager considers the credit rating, yield and maturity of each security, in order to ensure that the yield fully reflects any perceived risk and will only invest in securities that are investment grade or those considered by the fund manager to have an equivalent grade.

The capital value of investments within the fund will fall in the event of the default or perceived increased credit risk of an issuer. The capital value of investments within this fund may also be affected by interest rate fluctuations such that when interest rates rise the capital value is likely to fall and vice versa.

Since the aim of the fund is to deliver returns over the long term, transactions with a view to realising short-term returns are generally not undertaken.

The fund's assets comprise securities that can be readily realised to meet obligations that may arise when investors sell their shares. As noted on page 17, the Board's policy is that the fund should normally be close to fully invested (i.e. with liquidity of 5% or less).

These policies have been consistently applied since the beginning of the financial year (2017: same).

19 Currency risk sensitivity and exposure

Currency risk is not considered significant for the fund and is therefore not disclosed.

20 Interest rate risk sensitivity and exposure

A one per cent increase in interest rates (based on current parameters used by the Manager's Investment Risk department) would have the effect of decreasing net assets by £5,216,000 (2017: £11,832,000). A one per cent decrease in interest rates would have the effect of increasing net assets by £5,528,000 (2017: £13,465,000).

as at 31 October	2018 £'000	2017 £'000
Investments with fixed interest rates	121,764	152,416
Investments with variable interest rates	10,769	8,519
Non-interest bearing investments	0	0
Total	132,533	160,935

21 Credit risk

The table below sets out the credit quality of the financial assets.

as at 31 October	2018 £'000	2017 £'000
Investment grade securities	125,073	146,926
Below investment grade securities	688	1,095
Unrated securities	6,772	12,914
Other investments	0	0
Total	132,533	160,935

22 Interest distribution tables

This fund pays quarterly interest distributions and the following table sets out the distribution periods.

Quarterly distribution periods				
	Start	End	Xd	Payment
First interim	01.11.17	31.01.18	01.02.18	28.02.18
Second interim	01.02.18	30.04.18	01.05.18	31.05.18
Third interim	01.05.18	31.07.18	01.08.18	31.08.18
Final	01.08.18	31.10.18	01.11.18	15.12.18

The following tables set out for each distribution the rates per share for both Group 1 and Group 2 shares.

Group 1 shares are those purchased prior to a distribution period and therefore their income rate is the same as the distribution rate.

Group 2 shares are those purchased during a distribution period and therefore their distribution rate is made up of income and equalisation. Equalisation is the average amount of income included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes. The tables below show the split of the Group 2 rates into the income and equalisation components.

Income shares				
Interest distributions for the year to 31 October	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	p	p	p	p
First interim	0.0000	1.1500	1.1500	1.1500
Second interim	0.0000	0.7000	0.7000	1.1500
Third interim	0.0000	0.7000	0.7000	1.1500
Final	0.0000	0.7000	0.7000	1.1500

Accumulation shares				
Interest distributions for the year to 31 October	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	p	p	p	p
First interim	0.0000	36.6000	36.6000	35.3000
Second interim	0.0000	22.4800	22.4800	35.6200
Third interim	0.0000	22.6100	22.6100	35.9400
Final	0.0000	22.7400	22.7400	36.2600

Manager's responsibilities

In its capacity as Alternative Investment Fund Manager and a charity trustee it is the Manager's responsibility to prepare annual and interim long reports and financial statements which give a true and fair view of the financial position of the Scheme at the end of each financial year, the amounts distributable on Income shares and reinvested on Accumulation shares, and the net gains for the year then ended. In preparing these financial statements the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the fund will continue in operation.

The Manager is required to keep proper accounting records and to manage the fund in accordance with the Charities Act 2011 and the Scheme Documents and to take reasonable steps for the prevention and detection of fraud or other irregularities.

Board responsibilities and report

The Board was appointed with effect from 21 July 2014. It meets quarterly to review the operation of the fund and discharge its other duties as set out in the Scheme.

The Board meets quarterly with the investment manager as a duly appointed Investment Committee to carry out its responsibility for the ongoing review of investment strategy, setting of distribution policy, monitoring of investment diversification, and for reviewing the performance of the fund.

The Board is also responsible for the appointment of the auditor of the fund and settling his terms of engagement as well as appointing both Trustee and Manager and determining the rate of remuneration of each.

D S S Chichester
Chairman of the Board
28 November 2018

Statement of the Trustee's responsibilities and report of the Trustee

To the shareholders of The Charibond Charities Fixed Interest Common Investment Fund (the 'Fund') for the year ended 31 October 2018

The Trustee must ensure that the Scheme is managed in accordance with the Financial Conduct Authority's Investment Funds Sourcebook (the 'Regulations'), the Scheme Order and Scheme Particulars (together 'the Scheme documents') as detailed below.

The Trustee must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Scheme and its investors.

The Trustee is responsible for the safekeeping of the assets of the Scheme in accordance with the Regulations.

The Trustee must ensure that:

- the Scheme's cashflows are properly monitored and that cash of the Scheme is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of shares are carried out in accordance with the Regulations and the Scheme documents;
- the value of shares in the Scheme is calculated in accordance with the Regulations and the Scheme Documents;
- any consideration relating to transactions in the Scheme's assets is remitted to the Scheme within the usual time limits;
- the Scheme's income is applied in accordance with the Regulation and the Scheme documents; and
- the instructions of the Alternative Investment Fund Manager ('the AIFM') are carried out (unless they conflict with the Regulations).

The Trustee also has a duty to take reasonable care to ensure that the Scheme is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Scheme.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Trustee of the Scheme, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Scheme, acting through the AIFM, has been managed in accordance with the Regulations and the Scheme documents.

Edinburgh
28 November 2018

NatWest Trustee & Depositary
Services Limited

Independent auditor's report to the Charity Trustees of The Charibond Charities Fixed Interest Common Investment Fund

We have audited the financial statements of The Charibond Charities Fixed Interest Common Investment Fund ("the fund") for the year ended 31 October 2018 which comprise the Statement of Total Return, the Statement of Change in Net Assets attributable to shareholders, Balance Sheet, Distribution Tables and the related notes 1 to 22, 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 (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the financial position of the fund as at 31 October 2018 and of the net revenue and the net losses on the scheme property of the fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

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 fund 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 manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the fund'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 manager is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

- the information given in the Annual Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the manager

As explained more fully in the manager's responsibilities statement set out on page 14, the manager is 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 manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the manager is responsible for assessing the fund'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 management either intends to liquidate the fund or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report to the Charity Trustees of The Charibond Charities Fixed Interest Common Investment Fund

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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 charity's Trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditors' 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 fund and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Edinburgh
28 November 2018

Ernst & Young LLP
Statutory Auditor

Other regulatory disclosures

Liquidity

The Board's policy is that the fund should normally be close to fully invested (i.e. with liquidity of 5% or less) but this is subject to the need to retain liquidity for the purpose of effecting the redemption of shares and the efficient management of the Scheme in accordance with its objective. There may, therefore, be occasions when there will be higher levels of liquidity, for example following the issue of shares or the realisation of investments. Higher liquidity levels may also arise when the fund's asset allocation policy is changed or when the Manager believes that market conditions warrant it.

Leverage

In accordance with the Alternative Investment Funds Management Directive (AIFMD) we are required to disclose the 'leverage' of the fund. Leverage is defined as any method by which the fund increases its exposure through borrowing or the use of derivatives. 'Exposure' is defined in two ways – 'gross method' and 'commitment method' – and the fund must not exceed maximum exposures under both methods.

'Gross method' exposure is calculated as the sum of all positions of the fund (both positive and negative), that is, all eligible assets, liabilities and derivatives, including derivatives held for risk reduction purposes. 'Commitment method' exposure is also calculated as the sum of all positions of the fund (both positive and negative), but after netting off derivative and security positions as specified by AIFMD rules.

Therefore as at 31 October 2018 the total amount of leverage calculated for the period ending 31 October 2018 is as follows:

Gross method	95.77%
Commitment method	100.00%

Please note that the fund does not use leverage. The figures above (100% and less) also confirm that the fund was not leveraged at the year end.

Remuneration

In line with the requirements of the Alternative Investment Fund Managers Directive ("AIFMD"), M&G Securities Limited is subject to a remuneration policy which is consistent with the principles outlined in the European Securities and Markets Authority guidelines on sound remuneration policies under the AIFMD.

The remuneration policies are designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of its staff is in line with the risk policies and objectives of the alternative investment funds it manages. Further details of the remuneration policy applicable at an M&G Limited level can be found here: docs.mandg.com/docs/Corporate/MandG-Limited-Remuneration-Policy.pdf.

M&G Securities Limited in its capacity as the Alternative Investment Fund Manager (the "AIFM") of The Charibond Charities Fixed Interest Common Investment Fund has delegated portfolio management services to M&G Investment Management Limited (the "Delegate").

The ESMA Guidelines require the AIFM to ensure that, to the extent portfolio management activities are delegated by the AIFM, the Delegate is itself subject to remuneration provisions of equivalent effect to those contained in the AIFMD. M&G Investment Management Limited is subject to the Markets in Financial Instruments Directive ("MiFID") which is considered by the Financial Conduct Authority to be equally effective.

The AIFM is required under the AIFMD to make quantitative disclosures of remuneration. These disclosures are made in line with M&G's interpretation of currently available guidance on quantitative remuneration disclosures. As market or regulatory guidance evolves, M&G may consider it appropriate to make changes to the way in which quantitative disclosures are calculated. Members of staff and senior management typically provide both AIFMD and non-AIFMD related services and have a number of areas of responsibility. Therefore, only the portion of remuneration for those individuals' services which may be attributable to the AIFM is included in the remuneration figures disclosed. Accordingly the figures are not representative of any individual's actual remuneration.

M&G Securities Limited does not directly employ any staff members. However, for the financial year ended 31 December 2017, aggregate remuneration of £4,452,723 (£595,444 in respect of fixed remuneration and £3,857,279 in respect of variable remuneration) was paid to individuals whose actions may have a material impact on the risk profile of M&G Securities Limited, of which £182,816 related to senior management.

Appendix

Income and prices						
	Income shares		Accumulation shares			
	Distributed p	Reinvested p	Highest p	Lowest p	Highest p	Lowest p
Calendar year						
1976	1.500 ^[a]	1.500	103.5	98.3	104.8	98.3
1977	11.730 ^[a]	12.287	122.1	104.1	133.8	105.4
1978	11.800	13.613	120.7	104.9	135.5	127.9
1979	12.300	15.646	116.1	96.1	150.4	127.6
1980	12.500	18.118	107.4	98.1	164.3	136.5
1981	12.800	20.726	103.3	85.3	164.0	149.8
1982	12.800	24.283	117.6	86.2	236.7	155.4
1983	12.800	27.387	111.4	101.9	254.9	215.2
1984	12.800	30.929	110.8	101.5	283.6	250.0
1985	12.800	34.857	110.1	101.9	316.1	271.5
1986	12.800	39.355	121.3	101.3	369.0	306.7
1987	12.800	44.383	117.2	106.0	422.2	357.4
1988	12.800	49.425	113.7	103.3	446.1	405.2
1989	12.300	54.081	107.7	97.8	473.1	438.3
1990	10.800	53.216	100.1	87.5	525.7	437.9
1991	10.800	59.598	104.8	97.9	613.9	519.0
1992	10.800	66.257	111.4	101.2	720.9	612.8
1993	10.800	73.171	125.2	108.3	899.7	712.8
1994	10.200	75.917	125.4	101.6	901.1	768.8
1995	9.600	78.578	112.0	102.6	968.1	820.6
1996	9.600	85.307	113.3	103.8	1,044.3	926.3
1997	8.800	85.254	121.1	108.7	1,223.2	1,022.9
1998	8.800	91.824	136.7	119.6	1,484.0	1,217.5
1999	8.800	98.203	139.4	123.7	1,516.7	1,414.5
2000	7.600	90.539	129.6	122.8	1,602.4	1,435.0
2001	7.600	96.128	132.9	125.8	1,741.6	1,594.4
2002	7.600	102.005	131.6	124.6	1,825.0	1,673.3
2003	7.600	108.222	134.8	124.7	1,931.6	1,815.5
2004	7.600	114.884	129.7	123.0	2,027.2	1,872.9
2005	7.600	121.984	130.7	125.5	2,167.5	1,997.8
2006	7.600	129.453	132.1	122.7	2,203.8	2,122.7
2007	7.600	137.674	123.3	116.8	2,288.2	2,130.8
2008	7.600	146.752	122.6	109.4	2,396.7	2,191.1
2009	7.600	156.887	125.9	111.7	2,667.1	2,279.3
2010	7.600	167.167	127.8	120.4	2,875.9	2,627.7
2011	6.480	150.9710	128.2	119.1	3,088.5	2,758.9
2012	6.480	159.2200	133.2	125.8	3,343.1	3,071.7
2013	6.480	167.4865	133.3	122.4	3,428.3	3,237.3
2014	6.480	176.4080	129.13	122.34	3,631.58	3,269.30
2015	6.480	185.7200	133.02	121.23	3,751.41	3,536.50
2016	4.600	137.8900	136.17	121.23	4,142.25	3,589.15
2017	4.600	143.1200	130.20	125.49	4,088.90	3,851.58
Financial year						
2018 ^[b]	3.250	104.4300	127.45	121.67	4,055.84	3,919.01

^[a] Based on an initial period of 420 days for which four interims and a final distribution were paid.

^[b] To 31 October 2018.

Please note that with effect from 29 September 2014 the fund adopted a fully swinging single price model.

Please note past performance is not a guide to future performance and the value of investments, and the income from them, will fluctuate. This will cause the fund price to fall as well as rise and a charity may not receive back the original amount it invested.

Glossary

Accumulation shares: A type of share where distributions are automatically reinvested and reflected in the value of the shares.

Accumulation units: A type of unit where distributions are automatically reinvested and reflected in the value of the units.

Asset: Anything having commercial or exchange value that is owned by a business, institution or individual.

Asset allocation: Apportioning a portfolio's assets according to risk tolerance and investment goals.

Asset class: Category of assets, such as cash, company shares, fixed income securities and their sub-categories, as well as tangible assets such as real estate.

Bond: A loan in the form of a security, usually issued by a government or company, which normally pays a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid.

Bond issue: A set of fixed income securities offered for sale to the public by a company or government. If the bonds are sold for the first time, it is called a 'new issue'.

Bottom-up selection: Selecting stocks based on the attractiveness of a company.

Bunds: Fixed income securities issued by the German government.

Capital: Refers to the financial assets, or resources, that a company has to fund its business operations.

Capital at risk: The risk an investor faces that he or she may lose all or part of the assets invested.

Capital growth: Occurs when the current value of an investment is greater than the initial amount invested.

Capital return: The term for the gain or loss derived from an investment over a particular period. Capital return includes capital gain or loss only and excludes income (in the form of interest or dividend payments).

Capital structure: The composition of a firm's liabilities - refers to the way a firm finances its assets through a combination of equity, which refers to raising funds by selling shares, and debt. Often when capital structure is referred to, the focus is on the firm's debt-to-equity ratio, which is an indicator of how risky a company is.

Capitalisation: The total market value of all of a company's outstanding shares.

Cash equivalents: Deposits or investments with similar characteristics to cash.

Consumer Prices Index (CPI): An index used to measure inflation, which is the rate of change in prices for a basket of goods and services. The contents of the basket are meant to be representative of products and services we typically spend our money on.

Corporate bonds: Fixed income securities issued by a company. They are also known as bonds and can offer higher interest payments than bonds issued by governments as they are often considered more risky.

Coupon: The interest paid by the government or company that has raised a loan by selling bonds.

Credit: The borrowing capacity of an individual, company or government. More narrowly, the term is often used as a synonym for fixed income securities issued by companies.

Credit rating: An independent assessment of a borrower's ability to repay its debts. A high rating indicates that the credit rating agency considers the issuer to be at low risk of default; likewise, a low rating indicates high risk of default. Standard & Poor's, Fitch and Moody's are the three most prominent credit rating agencies. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

Credit rating agency: A company that analyses the financial strength of issuers of fixed income securities and attaches a rating to their debt. Examples include Standard & Poor's and Moody's.

Credit risk: Risk that a financial obligation will not be paid and a loss will result for the lender.

Credit selection: The process of evaluating a fixed income security, also called a bond, in order to ascertain the ability of the borrower to meet its debt obligations. This research seeks to identify the appropriate level of default risk associated with investing in that particular bond.

Credit spread: The difference between the yield of a corporate bond, a fixed income security issued by a company, and a government bond of the same life span. Yield refers to the income received from an investment and is expressed as a percentage of the investment's current market value.

Default: When a borrower does not maintain interest payments or repay the amount borrowed when due.

Default risk: Risk that a debtholder will not receive interest and full repayment of the loan when due.

Developed economy/market: Well-established economies with a high degree of industrialisation, standard of living and security.

Dilution adjustments: The dilution adjustment is used to protect ongoing investors against the transaction charges incurred in investing or divesting in respect of creations and cancellations. The dilution adjustment is made up of the direct and indirect transaction charges. In the financial statements the direct transaction charges as a percentage of average NAV will be disclosed. This percentage will take account of those direct transaction charges that have been recovered through the dilution adjustment leaving a percentage that just represents the costs incurred in portfolio management.

Distribution: Distributions represent a share in the net income of the fund and are paid out to income shareholders or reinvested for accumulation shareholders at set times of the year (monthly, quarterly, half-yearly or annually). They may either be in the form of interest distributions or dividend distributions.

Distribution yield: Expresses the amount that is expected to be distributed by the fund over the next 12 months as a percentage of the share price as at a certain date. It is based on the expected gross income less the ongoing charges.

Diversification: The practice of investing in a variety of assets. This is a risk management technique where, in a well-diversified portfolio, any loss from an individual holding should be offset by gains in other holdings, thereby lessening the impact on the overall portfolio.

Dividend: Dividends represent a share in the profits of a company and are paid out to the company's shareholders at set times of the year.

Glossary

Duration: A measure of the sensitivity of a fixed income security, also called a bond, or bond fund to changes in interest rates. The longer a bond or bond fund's duration, the more sensitive it is to interest rate movements.

Duration risk: The longer a fixed income security, also called a bond, or bond fund's duration, the more sensitive and therefore at risk it is to changes in interest rates.

Emerging economy or market: Economies in the process of rapid growth and increasing industrialisation. Investments in emerging markets are generally considered to be riskier than those in developed markets.

Equities: Shares of ownership in a company.

Ex-dividend date: The date on which declared distributions officially belong to underlying investors, rather than the fund, usually the first business day of the month.

Exposure: The proportion of a fund invested in a particular share/fixed income security, sector/region, usually expressed as a percentage of the overall portfolio.

Fiscal policy: Government policy on taxation, spending and borrowing.

Fixed income security: A loan in the form of a security, usually issued by a government or company, which normally pays a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid. Also referred to as a bond.

Foreign exchange: The exchange of one currency for another, or the conversion of one currency into another currency. Foreign exchange also refers to the global market where currencies are traded virtually around the clock. The term foreign exchange is usually abbreviated as 'forex' and occasionally as 'FX'.

Fundamentals (company): A basic principle, rule, law, or the like, that serves as the groundwork of a system. A company's fundamentals pertain specifically to that company, and are factors such as its business model, earnings, balance sheet and debt.

Fundamentals (economic): A basic principle, rule, law, or the like, that serves as the groundwork of a system. Economic fundamentals are factors such as inflation, employment, economic growth.

Gilts: Fixed income securities issued by the UK government.

Government bonds: Fixed income securities issued by governments, that normally pay a fixed rate of interest over a given time period, at the end of which the initial investment is repaid.

High yield bonds: Fixed income securities issued by companies with a low credit rating from a recognised credit rating agency. They are considered to be at higher risk of default than better quality, ie higher-rated fixed income securities but have the potential for higher rewards. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

Income share: A type of share where distributions are paid out as cash on the payment date.

Income unit: A type of unit where distributions are paid out as cash on the payment date.

Index: An index represents a particular market or a portion of it, serving as a performance indicator for that market.

Index-linked bonds: Fixed income securities where both the value of the loan and the interest payments are adjusted in line with inflation over the life of the security. Also referred to as inflation-linked bonds.

Inflation: The rate of increase in the cost of living. Inflation is usually quoted as an annual percentage, comparing the average price this month with the same month a year earlier.

Inflation-linked bonds: Fixed income securities where both the value of the loan and the interest payments are adjusted in line with inflation over the life of the security. Also referred to as index-linked bonds.

Initial public offering (IPO): The first sale of shares by a private company to the public.

Interest rate risk: The risk that a fixed income investment will lose value if interest rates rise.

Investment grade bonds: Fixed income securities issued by a company with a medium or high credit rating from a recognised credit rating agency. They are considered to be at lower risk from default than those issued by companies with lower credit ratings. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

Issuer: An entity that sells securities, such as fixed income securities and company shares.

Liquidity: A company is considered highly liquid if it has plenty of cash at its disposal. A company's shares are considered highly liquid if they can be easily bought or sold since large amounts are regularly traded.

Macroeconomic: Refers to the performance and behaviour of an economy at the regional or national level. Macroeconomic factors such as economic output, unemployment, inflation and investment are key indicators of economic performance. Sometimes abbreviated to 'macro'.

Maturity: The length of time until the initial investment amount of a fixed income security is due to be repaid to the holder of the security.

Monetary easing: When central banks lower interest rates or buy securities on the open market to increase the money in circulation.

Monetary policy: A central bank's regulation of money in circulation and interest rates.

Monetary tightening: When central banks raise interest rates or sell securities on the open market to decrease the money in circulation.

Near cash: Deposits or investments with similar characteristics to cash.

Net asset value (NAV): A fund's net asset value is calculated by taking the current value of the fund's assets and subtracting its liabilities.

Open-ended investment company (OEIC): A type of managed fund, whose value is directly linked to the value of the fund's underlying investments.

Overweight: If a fund is 'overweight' a stock, it holds a larger proportion of that stock than the comparable index or sector.

Payment date: The date on which distributions will be paid by the fund to investors, usually the last business day of the month.

Glossary

Portfolio transaction cost: The cost of trading, such as brokerage, clearing, exchange fees and bid offer spread as well as taxes such as stamp duty.

Principal: The face value of a fixed income security, which is the amount due back to the investor by the borrower when the security reaches the end of its life.

Private placement: An offer of sale of securities to a relatively small number of investors selected by the company, generally investment banks, mutual funds, insurance companies or pension funds.

Real return: The return on an investment, adjusted for changes in prices in an economy.

Real yield: The return of an investment, adjusted for changes in prices in an economy.

Retail Prices Index (RPI): A UK inflation index that measures the rate of change of prices for a basket of goods and services in the UK, including mortgage payments and council tax.

Risk management: The term used to describe the activities the fund manager undertakes to limit the risk of a loss in a fund.

Risk premium: The difference between the return from a risk-free asset, such as a high-quality government bond or cash, and the return from an investment in any other asset. The risk premium can be considered the 'price' or 'pay-off' for taking on increased risk. A higher risk premium implies higher risk.

Risk/reward ratio: A ratio comparing the expected returns of an investment with the amount of risk undertaken.

Risk-free asset: An asset that notionally carries no risk of non-payment by the borrower such as a high-quality fixed income security issued by a government or cash.

Safe-haven assets: Refers to assets that investors perceive to be relatively safe from suffering a loss in times of market turmoil.

Security: Financial term for a paper asset – usually a share in a company or a fixed income security also known as a bond.

Share class: Type of fund shares held by investors in a fund (share classes differ by levels of charge and/or by other features such as currency or share class hedging).

Short-dated corporate bonds: Fixed income securities issued by companies and repaid over relatively short periods.

Short-dated government bonds: Fixed income securities issued by governments and repaid over relatively short periods.

Sovereign debt: Debt of a government. Also referred to as government bonds.

Total return: The term for the gain or loss derived from an investment over a particular period. Total return includes income (in the form of interest or dividend payments) and capital gains.

Transaction cost: The cost of trading, such as brokerage, clearing and exchange fees as well as taxes such as stamp duty.

Treasuries: Fixed income securities issued by the US government

Triple A or AAA rated: The highest possible rating a fixed income security, also called a bond, can be assigned by credit rating agencies. Bonds that are rated AAA are perceived to have the lowest risk of default. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

UCITS: Stands for Undertakings for Collective Investment in Transferable Securities. This is the European regulatory framework for an investment vehicle that can be marketed across the European Union and is designed to enhance the single market in financial assets while maintaining high levels of investor protection.

Underlying value: The fundamental value of a company, reflecting both tangible and intangible assets, rather than the current market value.

Underweight: If a portfolio is 'underweight' a stock, it holds a smaller proportion of that stock than the comparable index or sector.

Unit trust: A type of managed fund, whose value is directly linked to the value of the fund's underlying investments.

Unit/share type: Type of units/shares held by investors in a trust or fund (unit/share types differ by features such as whether income is to be paid out as cash or reinvested on the payment date).

Valuation: The worth of an asset or company based on its current price.

Volatile: When the value of a particular share, market or sector swings up and down fairly frequently and/or significantly, it is considered volatile.

Volatility: The degree to which a given security, fund, or index rapidly changes. It is calculated as the degree of deviation from the norm for that type of investment over a given time period. The higher the volatility, the riskier the security tends to be.

Yield (equity): Refers to the dividends received by a holder of company shares and is usually expressed annually as a percentage based on the investment's cost, its current market value or face value. Dividends represent a share in the profits of a company and are paid out to the company's shareholders at set times of the year.

Yield (bonds): This refers to the interest received from a fixed income security and is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value.

Issued by M&G Securities Limited

Authorised and regulated by the Financial Conduct Authority

Registered Office: Laurence Pountney Hill, London EC4R 0HH

Registered in England: No. 90776

