STERLING ANNUAL REPORT 2020

UK ECONOMIC BACK-DROP & MACRO SITUATION

In January 2020 a coronavirus started to spread around the globe, notably large parts of Europe.

Typically economic crisis are preceded by financial crisis, as was the case in the Global Financial Crisis (2007-2009). This time we faced new challenges, thankfully with a relatively strong financial system, albeit with elevated levels of both private and public debt.

Global lockdowns in response to the threat of Covid caused an instantaneous and significant negative economic shock. Described by one economist as "stepping off a cliff". Recognising the peril, Central Banks and Governments responded faster than ever before.

In March, the Bank of England responded to the crisis with a ½% interest rate cut to ¼%. The following week, as the Covid situation intensified, the Bank cut rates again to only 0.1%. Along with rate cuts the Bank also announced a Term Funding Scheme for Small and Medium-sized Enterprises. In addition, to provide further support they relaxed Bank capital requirements (countercyclical buffer) relating to UK borrowers, increasing the financial services ability to support the real economy.

Complementing the Central Bank's response the Chancellor of the Exchequer, Rishi Sunak, announced fiscal stimulus featuring significant infrastructure program through to 2025.

To encourage businesses to retain workers, the UK Government's Furlough scheme was introduced, where grants were available to cover up to 80% of wages for hours not worked. At its peak 8.9 million workers were covered by the scheme. As the crisis continued, whilst usage had thankfully declined, the scheme was extended and will continue into 2021.

On the political front 2020 was dominated by Brexit and the impending year-end deadline. With only days to spare the UK's Prime Minister triumphantly announced the conclusion of a deal that was subsequently approved by parliament.

UK FINANCIAL MARKETS

2020 will be remembered for its volatility as investors struggled to price the unknown impacts of a frighteningly dangerous and contagious virus. In the equity markets, stocks fell from by almost 35% from January's highs through to late March. At the same time volatility in UK Government bonds spiked and having initially fallen to new lows, 10-year yields subsequently surged before trending lower.

Ultimately, the Government and Central Bank's response served to reassure investors and volatility began to decline. UK equities lagged most other markets in their recovery from the March lows, due to a combination of Brexit uncertainties and the make-up of the UK market, with less growth stocks, notably technology companies that are more prevalent in other markets. Stocks ultimately ended the year lower with a negative return of 13% (dividends re-invested). In the bond markets, yields remained low reflecting expectations for sub trend growth across the wider economy.

In the foreign exchange markets the US dollar ended the year lower against the pound, whereas the Euro gained versus the UK's currency.

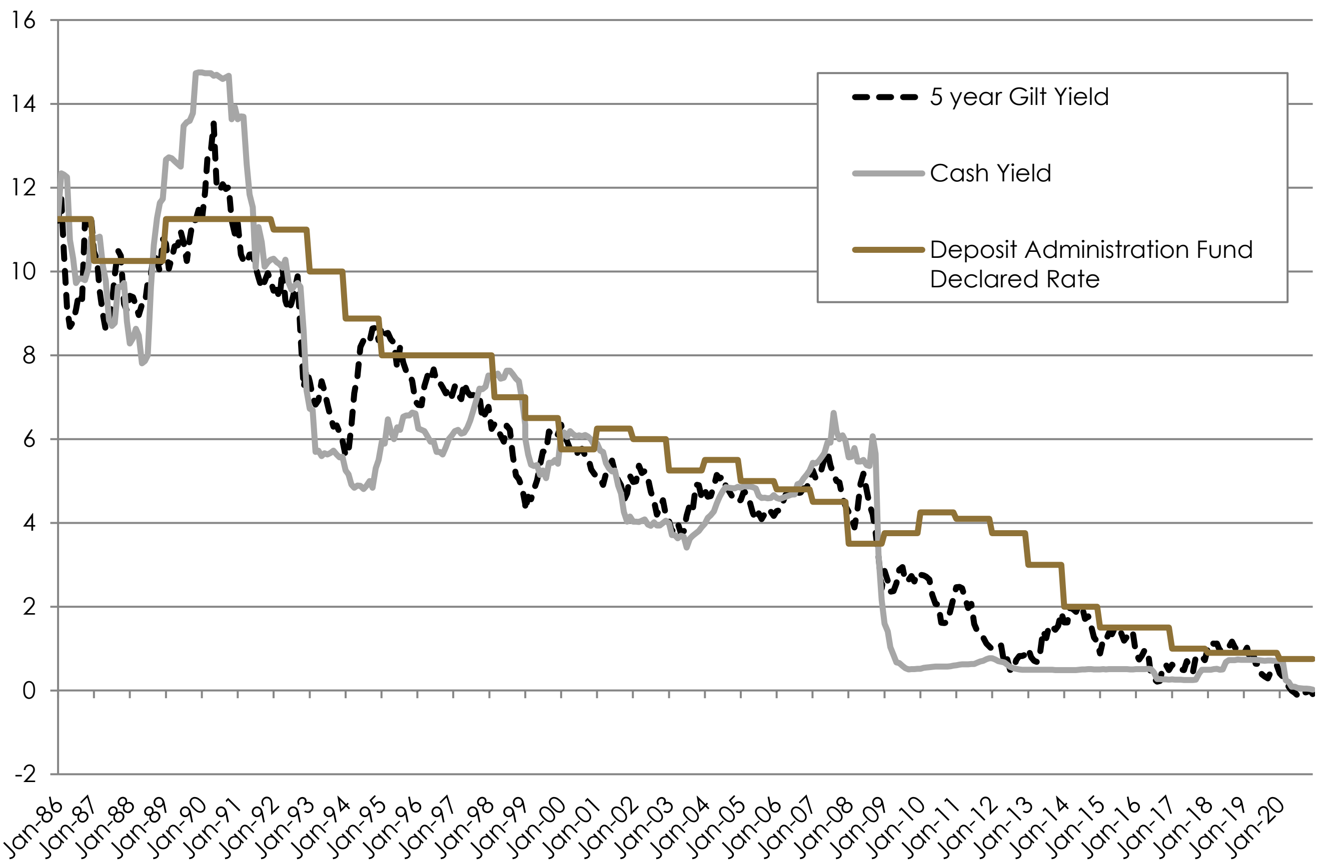
Looking forward, risk-averse savers face increased challenges due to extremely low government bond yields, coupled with reduced incremental yield on corporate bonds, which has supressed expectations of future returns.

On a forward-looking basis, amid expectations for higher levels of inflation, high quality bonds are likely to generate negative real returns (inflation adjusted) over the next decade.

THE STERLING DEPOSIT ADMINISTRATION FUND

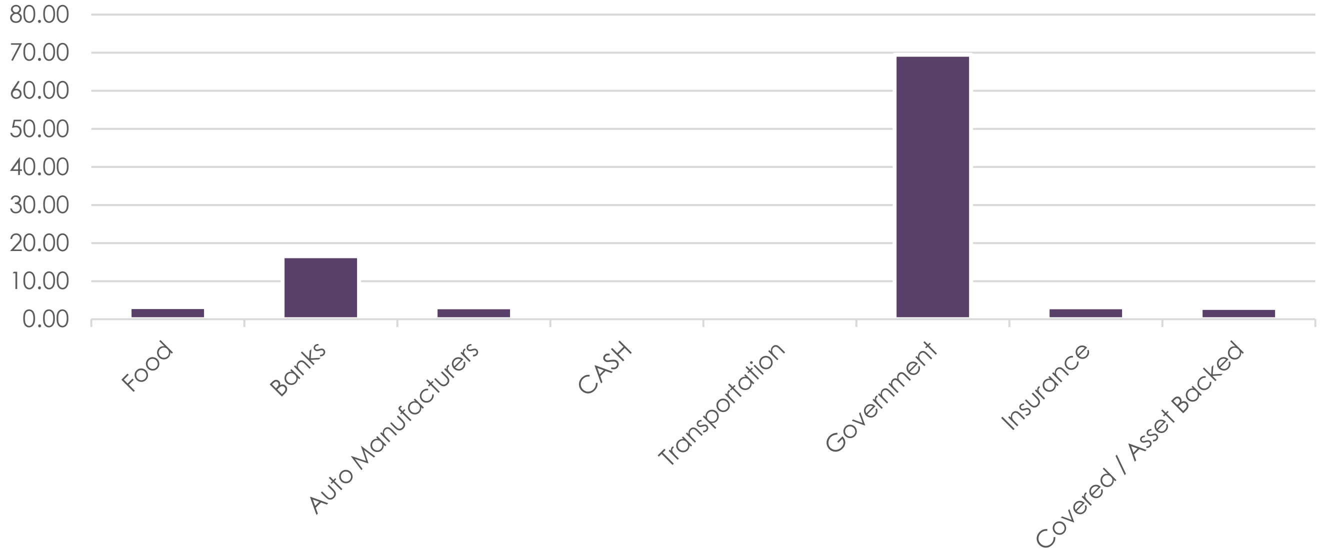
The following chart details the fund's 2020 declared rate of 0.75%, along with cash rates and 5 year Gilt yields that turned negative during the year.

PERFORMANCE COMPARISON CHART

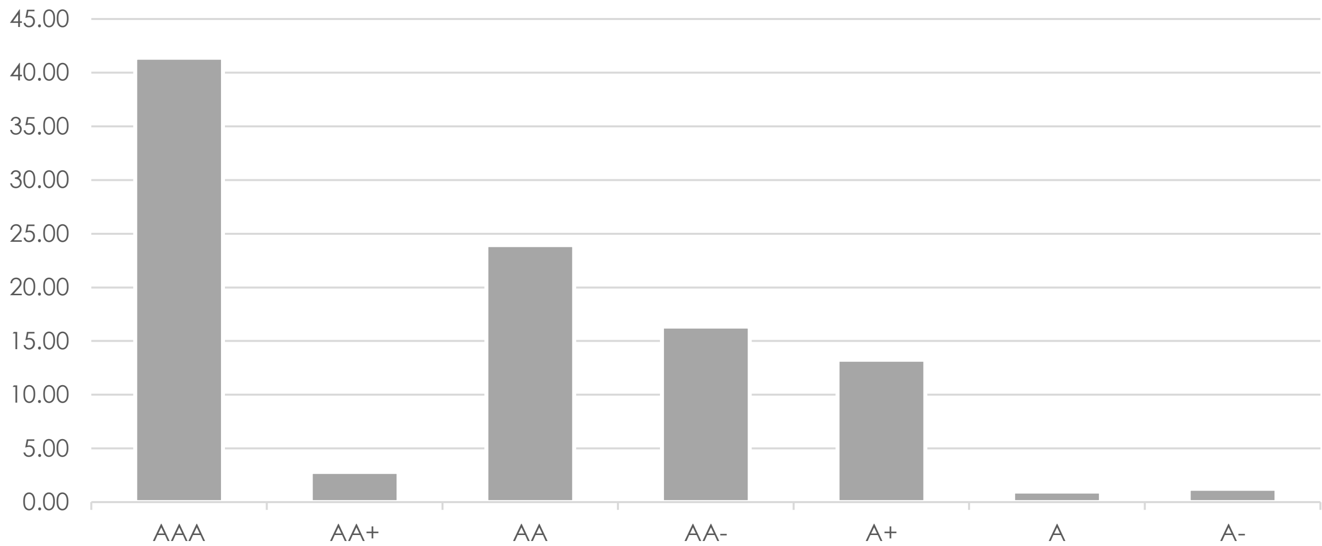


At the year-end the portfolio was 69% allocated to government and government related bonds with the balance in corporate bonds. The portfolios sensitivity to changes in interest rates, measured using modified duration increased slightly during the year to 3.3 at year-end from 3.2 a year earlier.

ASSET DISTRIBUTION BY SECTOR



ASSET DISTRIBUTION BY CREDIT RATING



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Registered Head Office address: Utmost Worldwide Limited, Utmost House, Hirzel Street, St Peter Port, Guernsey, Channel Islands GY1 4PA.

T +44 (0) 1481 715 400
F +44 (0) 1481 715 390
E EBInvestCustomerService@utmostworldwide.com
W utmostinternational.com