

SVS Church House Investment Grade Fixed Interest Fund

The Authorised Fund Manager of the Fund is: Smith & Williamson Fund Administration Limited

Fund Manager



Jeremy Wharton

Objective and Policy

The Fund is a 100% investment grade bond fund in the IA UK Corporate Bond sector. As a further quality control, the fund will always hold 25%-35% in AAA rated debt. The fund managers maintain a diverse portfolio in excess of 100 holdings and the focus is on high quality issuance which helps to maintain low volatility.

Within the bounds of investing in Investment Grade corporate bonds and UK Government Gilts, the fund is flexible in the underlying duration of its holdings and seeks to protect against both credit and interest rate risk.

Key Information

Bid price, Income / Accumulation (XD)	116.6p / 167.5p
Sector	Sterling Corporate Bond
Trust Type	Authorised unit trust / UCITS
Launch Date	December 2000
Dividend Payment	Feb, May, Aug & Nov
Minimum Subscription	£5,000
Yield	2.3%
Management Fee	0.75% OCF 0.84%
Fund Value	£292m
ISIN Number	Inc: GB0004743828 Acc: GB00B11DPK96
SEDOL No.	Inc: 0474382 Acc: B11DPK9

All prices and data in the Fact Sheet are as at 29 December 2017.

All fund performance data is based on the Inc shares and shown after the deduction of fees and charges. Yield data refers to the past 12 months and is based on a bid-basis.

The management fee is 1.25% on the first £25m then 0.75% thereafter.

Ongoing Charges Figure (OCF) based on accounts as at 31/03/2017.

Monthly Commentary

Through the, mostly meaningless, fog of annual predictions one fact shines quite clearly, the Central Bank binge is coming to an end. 2017 seemed to cement global recovery expectations and in the face of these, a scaling back of asset purchases is inevitable. The ECB has signs within the eurozone that even they can't pretend to ignore any longer. Yes, there are variables such as the ability of Germany to form a coalition and the instability of Italy and its banking system (nothing new) but the momentum is what counts and some areas seem unstoppable. How the ECB manages the situation remains to be seen; but the scale of the distortion that they have created has to be a source of great concern. Bunds might only be negative out to five years now, but as one surveys the eurozone rate landscape it looks disastrous to me, just ask Deutsche Bank.

There is much debate about the timing and number of hikes that the Federal Reserve will implement, but new Governor Powell is likely to stick to the plan and step-up unwinding of QE. Talk is now turning to the terminal rate and consensus currently is around 3%. As the two-year rate has steadily moved up from 1.5% to 2% over the last three months and now trades inside the dividend yield of the S&P 500 this doesn't look so far away. The Trump show continues to astound us all with its stupidity and the latest snub of foregoing a Presidential opening of their shiny new London Embassy is a shame, although Trump is correct that it is an example of cack-handed asset management by a developed nation (resembling some of his 'deals').

Gilts flounder around being hostage to our own brand of 'mis-negotiation', this Government seems unable to do anything right but, as the basis increases between our rates and Treasuries and the UK economy does not go upside down, the chances of a sharp correction must be increasing. No lack of demand for our risk though, as the recent twenty-year auction demonstrated and all the while the bid for credit remains voracious: spreads closed the year at the tights and issuance in all currencies broke records with forecasts for this year to be even higher (?). Interestingly, the first few days of this year saw more covered issuance, all floating, than the whole of January last year at £3.7bn with both Barclays and Lloyds printing two record £1.25bn whoppers, no wonder as the Term Funding Scheme comes to an end next month.

Performance v. UK Indices

This comparison is for illustrative purposes only and the fund is not benchmarked against these indices.



Source: FE Analytics. Net Return Bid-Bid line chart (from 01 December 2005 to 29 December 2017) from UK IA universe.

Performance Summary (%)

	3m	1 yr	3yrs	10yrs
SVS Church House Investment Grade Fixed Interest Inc GTR in GB	0.97	3.47	9.60	76.31
Sector: IA Sterling Corporate Bond GTR in GB	1.83	5.15	15.66	77.65
Index: The BofA ML 7 10 Year AA Sterling Corporate & Collateralized TR in GB	1.60	3.71	14.61	62.73

Source: FE Analytics. Gross Total Return (net of fees, gross of tax) Bid-Bid month end (29 December 2017) performance table from UK Investment Association universe.

Calendar Year Total Returns (%)

	YTD	2016	2015	2014	2013	2012
SVS Church House Investment Grade Fixed Interest Inc GTR in GB	3.47	5.14	0.74	8.01	1.24	12.40

Source: FE Analytics. Gross Total Return (net of fees, gross of tax) Bid-Bid discrete calendar performance table, of SVS Church House Investment Grade Fixed Interest Fund from UK Investment Association universe.

Church House Investment Management

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Church House Investment Management is the trading name of Church House Investments Limited

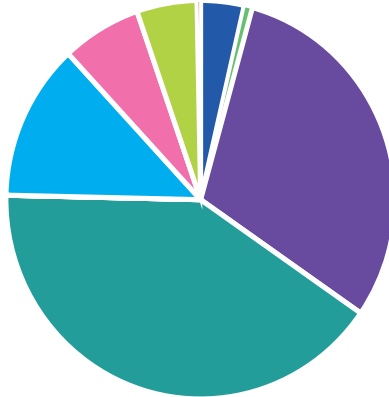
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www.ch-investments.co.uk

Top Ten Holdings (%)
19.5% of Portfolio

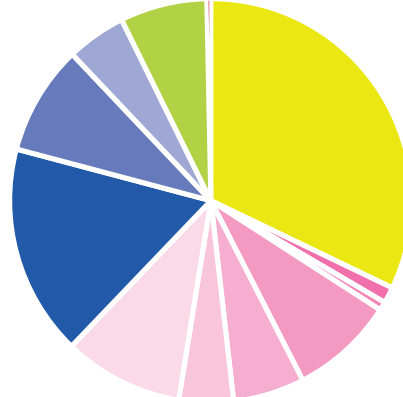
Goldman Sachs Group 7.25% 2028	2.9%	Barclays Bank 10% 2021	1.7%
RBS Covered 2020	2.2%	Lloyds FRN 2020	1.7%
Citigroup 5.15% 2026	2.0%	ABN Amro Bank FRN 2018	1.7%
BAA Funding LTD Class B 6% 2020	1.9%	Northumbrian Water 6.875% 2023	1.7%
AP Moller-Maersk 4% 2025	1.9%	Royal Bank of Canada	1.7%

Disposition



Government Guaranteed	3.6%
Supranational	0.7%
Senior / Debenture	30.4%
Senior unsecured	40.7%
Un-subordinated	0.0%
Subordinated	12.7%
Lower tier	6.6%
Preferred & Ordinary	5.0%
Cash	0.3%

Rating Split (S&P / equivalent)



AAA	32.1%
AA+	1.3%
AA	0.7%
AA-	8.3%
A+	5.7%
A	4.4%
A-	9.6%
BBB+	16.9%
BBB	8.8%
BBB-	4.8%
Un-rated	7.0%
Cash	0.3%

Source: Church House, Bloomberg

LEARN MORE ABOUT THIS FUND

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INVESTMENT RISK

Please note that the value of an investment in this fund and the income from it may go down as well as up and you may not get back your original investment. You should also be aware that past performance may not be a reliable guide to future performance.

IMPORTANT INFORMATION

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