

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	113.4p / 166.1p XD
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	2.2%
Management Fee	0.75% OCF 0.84%
Fund Value	£311m
ISIN Number	Inc: GB0004743828 Acc: GB00B11DPK96
SEDOL No.	Inc: 0474382 Acc: B11DPK9

All prices and data in the Fact Sheet are as at 31 October 2018.

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 31/03/2018.

Monthly Commentary

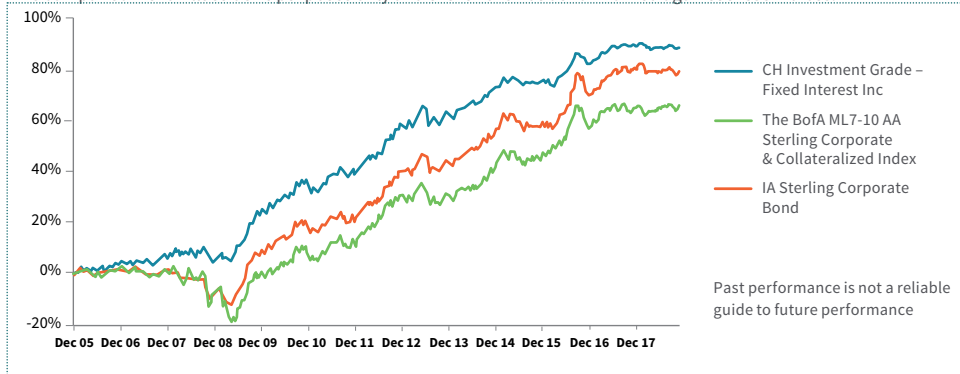
Any complacency regarding credit risk has vanished rapidly. Plenty of factors have combined to inject volatility into most credit sectors. Trade wars have also begun to weigh on headline equity indices and specific single stock stories such as GE have combined to produce some marked spread widening. Ten years ago, GE was one of the small select number of corporates that were AAA rated, now they have just been downgraded further to BBB+, a dramatic, and sad, fall from grace. GE Capital UK Funding has around £4BN in sterling liabilities and even their sub 2 year risk has gapped out to nearly 400bp over Gilts, in January the spread was around +62.

Never-ending Brexit related worries and political risk continue to weigh on GBP and, unsurprisingly, confidence in some UK corporates and their credit is fragile. However, this plays out as the cost of borrowing for these companies is rising, not a cost that is represented in any headline inflation numbers. Governor Carney and his team appeared in front of the Treasury Select Committee and repeatedly attempted to warn of risks (and potentially higher rates) but still no-one appears to be listening. It was amusing to see an MP's Freudian slip by mistakenly referring to him as 'Chancellor' several times. The cost of insuring UK debt through Sovereign CDS has climbed to levels not seen since the middle of 2016.

Issuance was relatively orderly until recently, the window slammed shut on the day of the 'Deal' announcement and TSB had to pull a new SONIA-referenced covered floater. However, as mentioned before, a lot of this year's issuance has had little left in premium for investors and just about all of it will now be trading wider than reoffer; VW managed to sneak in the second biggest corporate new issue (EUR5.2Bn) in Europe this year before volatility hit. A recent Moody's study analysed the quality of outstanding liabilities across the credit spectrum and concluded the 'unprecedented amount of Baa-grade bonds menaces the credit outlook'. From a dollar perspective, the amount of Baa rated corporate bonds is now around \$2.83Tn, versus \$2.62Tn of single A corporates and only \$629Bn of Aa or higher, meaning the US Investment Grade corporate bond market, from a ratings view, is the riskiest it has been since 1981.

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 31 October 2018) from UK IA universe.

Performance Summary (%)

	3m	1 yr	3yrs	10yrs
SVS Church House Investment Grade Fixed Interest Inc GTR in GB	0.09	-0.15	8.17	80.51
Sector: IA Sterling Corporate Bond GTR in GB	-0.08	-0.18	14.09	97.65
Index: The BofA ML 7 10 Year AA Sterling Corporate & Collateralized TR in GB	0.81	1.63	14.33	88.52

Source: FE Analytics. Gross Total Return (net of fees, gross of tax) Bid-Bid month end (31 October 2018) performance table from UK Investment Association universe.

Calendar Year Total Returns (%)

	YTD	2017	2016	2015	2014	2013	2012
SVS Church House Investment Grade Fixed Interest Inc GTR in GB	-0.75	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.

Top Ten Holdings (%)
21.8% of Portfolio

Santander Covered FRN (SONIA) 2021	2.9%	AP Moller-Maersk 4% 2025	2.0%
Goldman Sachs Group 7.25% 2028	2.6%	EIB FRN (SONIA) 2023	1.9%
Lloyds Covered FRN (SONIA) 2021	2.6%	Lloyds 9.375% 2021	1.9%
Bank of America 7% 2028	2.3%	Orange SA Hybrid 2022/49	1.8%
RBS Covered FRN 2020	2.0%	Citigroup 5.15% 2026	1.8%

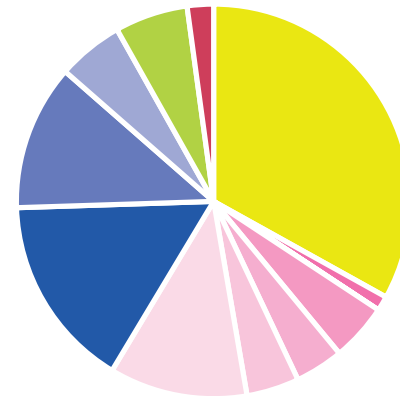
Disposition



Government Guaranteed	1.3%
Supranational	4.2%
Senior / Debenture	28.6%
Senior unsecured	38.8%
Un-subordinated	0.8%
Subordinated	16.3%
Lower tier	3.7%
Preferred & Ordinary	4.2%
Cash	2.2%

Source: Church House, Bloomberg

Rating Split (S&P / equivalent)



AAA	33.1%
AA+	1.2%
AA	0.0%
AA-	4.7%
A+	4.0%
A	4.3%
A-	11.3%
BBB+	15.9%
BBB	12.0%
BBB-	5.4%
Un-rated	6.0%
Cash	2.2%

LEARN MORE ABOUT THIS FUND

CALL: 0207 534 9877 and speak to our Sales Support Team
EMAIL: salesupport@church-house.co.uk

CALL: 0207 534 9879 for our Sales Director, Sam Liddle
EMAIL: s.liddle@church-house.co.uk

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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