

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	113.8p / 165.9p 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	£308m
ISIN Number	Inc: GB0004743828 Acc: GB00B11DPK96
SEDOL No.	Inc: 0474382 Acc: B11DPK9

All prices and data in the Fact Sheet are as at 28 September 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

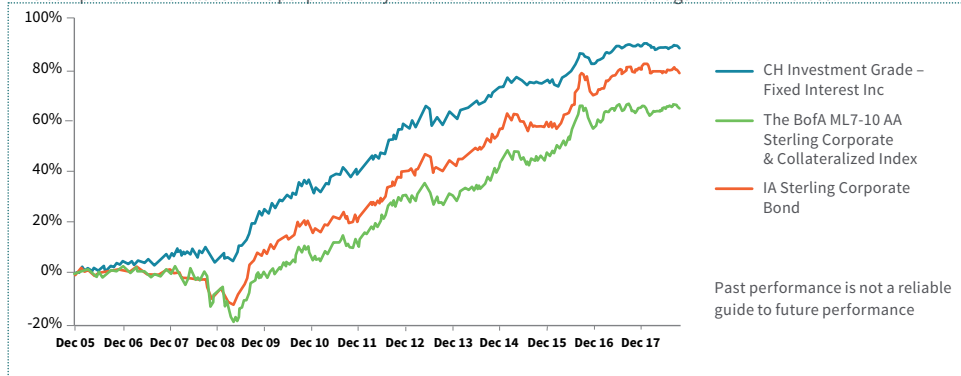
It is no coincidence in my mind that a 20% rally in crude prices has partly coincided with a now marked rise in Government bond yields and is one of the factors now feeding into volatility in risk assets. There is suddenly a lot to worry about as Italian politics continue to imperil the euro, the reality of trade wars begins to hit home and, of course, we have the continued random behaviour of the leader of the free world(?). His self-delusional nature has taken on a new dimension as he now appears to take personal credit every time US equities rise and blames the Federal Reserve when they fall (apparently they are 'crazy' and 'loco'). The Fed stuck to its guns and hiked again, meaning that the Fed Funds Rate is higher than their inflation rate for the first time since 2008. This contributed to the reality check in yields which has served to stifle some of the forecasts for inversion of the US Treasury yield curve, the gap between two-year and thirty-year yields having traded sideways around 40bp all summer has moved out to around 50bp. The US unemployment rate dropping to 3.7%, gleefully announced as the lowest since 1969, helped things along too.

With some very obvious headwinds still shamefully no closer to resolution, caution regarding certain UK risk assets is rising. There are also a few warning signs that shouldn't be ignored: a couple of overpriced IPO's crashing back to earth and a sharp rise in unsecured lending and leveraged loan activity provides food for thought. More MPC members are seeing the first real signs of wage growth, coupling this with the recent high print in inflation and steady if sluggish growth, means the Bank has a difficult path to tread.

Ahead of the recent spike in volatility, spreads were pretty stable and even now are within the summer range. Credit markets had a healthy month of issuance across all currencies, sterling issuance was skewed towards longer-dated deals and there seemed to be a willingness to add duration. Nearly every deal priced tighter than initial guidance and there was a notable whopper in the form of the Comcast \$27Bn 12 tranche (to finance their Sky purchase), just about every tranche priced 15+ tighter. We were most interested in further SONIA referenced issuance but this time it was covered paper from Lloyds and Santander rather than Supras, both issues were well oversubscribed. We remain concerned by the lack of investor awareness regarding transitioning away from LIBOR.

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 28 September 2018) from UK IA universe.

Performance Summary (%)

	3m	1 yr	3yrs	10yrs
SVS Church House Investment Grade Fixed Interest Inc GTR in GB	0.26	0.04	8.32	76.35
Sector: IA Sterling Corporate Bond GTR in GB	-0.19	0.10	13.89	88.06
Index: The BofA ML 7 10 Year AA Sterling Corporate & Collateralized TR in GB	-0.38	0.93	12.67	83.06

Source: FE Analytics. Gross Total Return (net of fees, gross of tax) Bid-Bid month end (28 September 2018) performance table from UK Investment Association universe.

Calendar Year Total Returns (%)

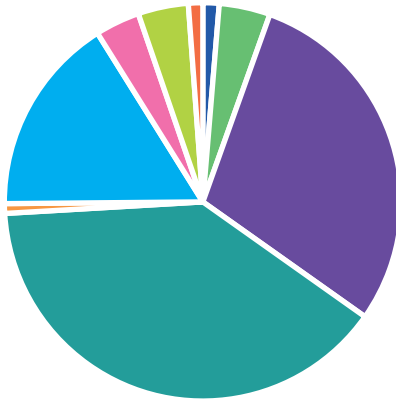
	YTD	2017	2016	2015	2014	2013	2012
SVS Church House Investment Grade Fixed Interest Inc GTR in GB	-0.92	3.47	5.14	0.74	8.01	1.24	12.40

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 (%)
21.5% of Portfolio

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

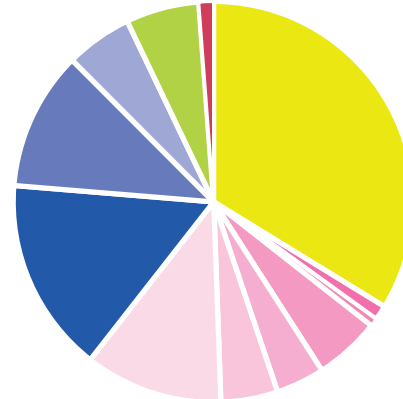
Disposition



Government Guaranteed	1.4%
Supranational	4.3%
Senior / Debenture	30.0%
Senior unsecured	40.2%
Un-subordinated	0.8%
Subordinated	16.6%
Lower tier	3.7%
Preferred & Ordinary	4.2%
Cash	-1.2%

Source: Church House, Bloomberg

Rating Split (S&P / equivalent)



AAA	34.6%
AA+	1.2%
AA	0.7%
AA-	5.4%
A+	4.0%
A	4.7%
A-	11.4%
BBB+	16.1%
BBB	11.5%
BBB-	5.5%
Un-rated	6.0%
Cash	-1.2%

LEARN MORE ABOUT THIS FUND

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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

This is a financial promotion for Professional Clients and/or distributors only. This is not intended as investment advice. You should read the Prospectus and the Key Investor Information Document (KIID) for each fund in which you want to invest. The Prospectus and KIID can be found at www.ch-investments.co.uk. All information prepared within has been prepared by Church House Investments Limited, York House, Sherborne, DT9 4JW. Authorised and regulated by the Financial Conduct Authority. This document should not be published in hard copy, electronic form, via the web or in any other medium accessible to the public unless authorised by Church House Investments to do so. No warranty is given as to the accuracy or completeness of this information and no liability is accepted for errors or omissions in such information. This document may not be used for the purpose of an offer or solicitation in any jurisdiction or in any circumstances in which such an offer or solicitation is unlawful or unauthorised. To help us continually improve our service, and in the interest of security, we may monitor and/or record your telephone calls with us.