

# SVS Church House Tenax Absolute Return Strategies Fund

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

## Fund Managers



**James Mahon**



**Jeremy Wharton**

## Objective and Policy

Tenax has an absolute return objective, aiming to achieve positive returns over rolling twelve-month periods at low levels of volatility. Capital invested in the Fund is at risk, there is no guarantee that a positive return will be achieved over a rolling twelve-month, or any other, period. The portfolio is diverse across asset classes; investments are principally direct (it is not a fund-of-funds) but other funds may be held to provide further diversification. The benchmark for the Fund is three-month £ LIBOR. Capital preservation is key; the Fund is prepared to hold high proportions in cash and other low-risk assets.

## Key Information

|                      |  |
|----------------------|--|
| <b>A Share Class</b> | Min. investment £5,000<br>Management fee 1.21%<br>OCF 1.27%  |
| <b>B Share Class</b> | For investment advisers and intermediaries only<br>Management fee 0.85%<br>OCF 0.91%<br>Inc shares SEDOL: BNGY2T9<br>Inc shares ISIN: GB00BNGY2T93<br>Acc shares SEDOL: B28KSK1<br>Acc shares ISIN: GB00B28KSK12 |

**B Share Price** 158.3p (Acc)

**Sector** Targeted Absolute Return

**Trust Type** OEIC – Non-UCITS Retail Scheme

**Launch Date** November 2007

**Dividend Payment** May & November

**Yield** 0.58% (B Acc)

**Fund Value** £222m

All prices and data in the Fact Sheet are as at 29 June 2018.

All fund performance data is based on the B Acc shares and shown after the deduction of fees and charges. Yield data refers to the past 12 months.

Ongoing Charges Figure (OCF) based on accounts as at 30/09/2017.



## Monthly Commentary

The Tenax Fund was mildly positive over a month that looked increasingly problematic for markets. The US is tightening monetary policy, the ECB and BoE are talking about it, the USD moved up again, taking a toll on emerging markets, and President Trump's 'easy to win' trade war is escalating.

The US Federal Reserve stands out as an oasis of sense, the FOMC lifted rates again and issued a bullish statement indicating further increases to come. The Fed's balance sheet is now contracting by \$40bn per month – quantitative tightening under way. Quantitative easing is set to fade in Europe in the fourth quarter, not before time as inflation appears to be accelerating in the eurozone. The Bank of England's MPC voted 6-3 to maintain rates at 0.5% but hinted at increases to come; the August MPC meeting is likely to lift rates (of course, only at a "gradual pace and to a limited extent"), let's hope they don't flunk it again. The Bank also stated that they will maintain their stock of gilts at £435bn until base rates get back to 1.5%, at the current pace that could be a long time coming.

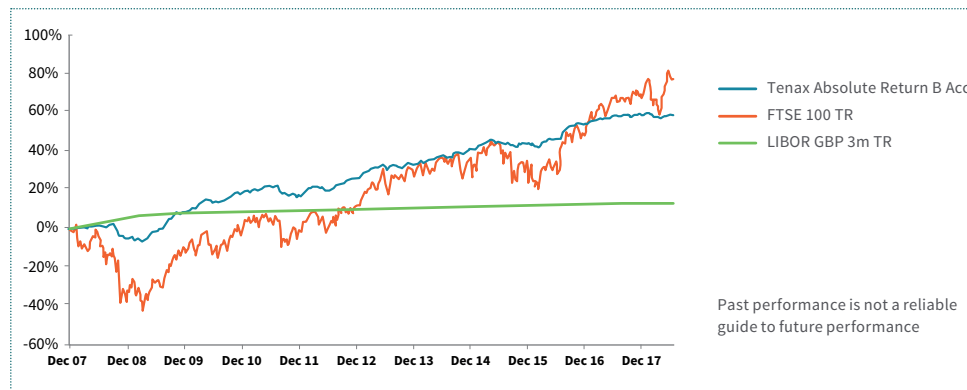
The US dollar rose for the third month, most notably against emerging market currencies. Repatriation of overseas profits by corporate America (\$305bn in Q1) following the tax reforms, combined with a larger Treasury bond issuance programme (to pay for those tax cuts...), appear to be hoovering-up liquidity in the Eurodollar market. Oil prices rose again despite an OPEC agreement to increase supply, whether the increase is sufficient given Venezuelan problems and imminent US 'driving season' is debatable.

The rally in leading equity markets from the March lows ran out of steam while European and emerging markets suffered. US stocks managed a small positive, led, as before, by NASDAQ; overall the S&P 500 has risen 1.7% over H1. In London, FTSE 100 was down by 0.5% and marginally more for H1. European markets fell, notably Germany, which was led down by BMW, VW and Daimler as trade war rhetoric increased, though, of course, Germany also has domestic political problems. Symptomatic of emerging markets, Chinese stocks had a poor month, down a further 8%.

For us, given the Fund's current stance, one of the most interesting developments within the market was the **EIB's** successful launch of a new floating rate note linked to SONIA (Sterling Overnight Interbank Average), paving the way for an alternative to (the discredited) LIBOR. We took a sizeable holding in the new note and sold our position in the fixed rate EIB 1.125% 2021. We added a new FRN holding from **Bank of Nova Scotia** due in 2021, and added to the existing **Orange** convertible (into **BT Group**); possibly, the imminent departure of BT's CEO, Gavin Patterson, combined with increase capex and re-based dividend could provide the impetus for a revival. Elsewhere, we added to two existing credits where spreads have been widening and to three of the existing equity holdings.

## Performance (B Shares) v. UK Indices (and other)

The comparison to FTSE 100 TR is for illustrative purposes only and the fund is not benchmarked against this index.



Source: FE Analytics. Total Return Nav-Nav line chart (from 01 December 2007 to 29 June 2018) from UK IA universe.

## Performance Summary (%)

|   | 3m   | 1 yr | 3yrs  | 5yrs  |
|---|------|------|-------|-------|
| SVS Church House Tenax Absolute Return Strategies B Acc | 0.57 | 0.00 | 10.23 | 21.07 |
| Index: FTSE 100 TR                                      | 9.58 | 8.17 | 29.97 | 48.55 |
| Benchmark: LIBOR GBP 3 Months TR                        | 0.17 | 0.50 | 1.47  | 2.57  |

Source: FE Analytics. Total Return Nav-Nav month end (29 June 2018) performance table from UK UT and OEICs universe.

## Calendar Year Total Returns (%)

|   | YTD   | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|-------|------|------|------|------|------|
| SVS Church House Tenax Absolute Return Strategies B Acc in GB | -0.69 | 2.71 | 7.85 | 1.62 | 6.23 | 5.63 |

Source: FE Analytics. Total Return Nav-Nav discrete calendar performance table, of SVS Church House Tenax Absolute Return Strategies Fund (B Acc) from UK Investment Association universe.



### Top Ten Holdings (%)

**33.2% of Portfolio**

Total number of holdings: **124**

|                        |      |                                 |      |
|------------------------|------|---------------------------------|------|
| UK Treasury 1.25% 2018 | 7.9% | IBRD FRN 05/2023                | 2.5% |
| EIB 06/2023            | 4.6% | Toronto Dominion Cvd FRN 6/2021 | 2.5% |
| EIB 0.625% 01/2020     | 3.9% | GS Group Cap/Floor FRN 06/2023  | 2.5% |
| EIB FRN 02/2020        | 2.5% | Santander Covered FRN 11/2022   | 2.3% |
| EIB FRN 04/2019        | 2.5% | Sparebanken Covered FRN 12/2022 | 2.2% |

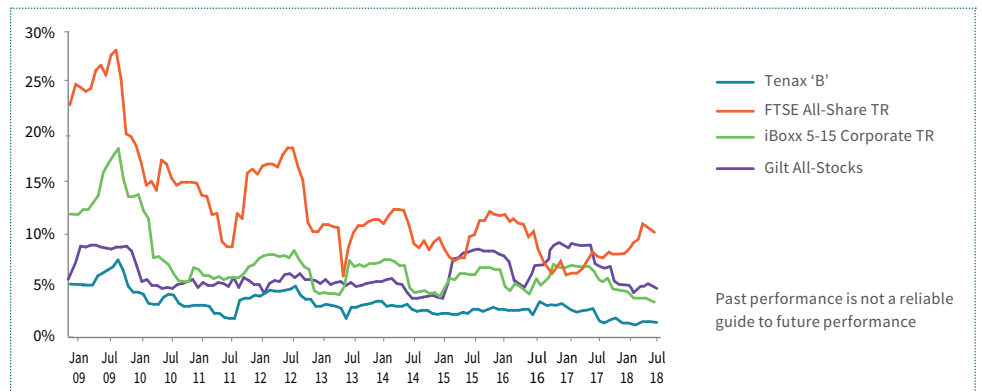
### Disposition



|                     |       |
|---------------------|-------|
| Cash Deposits       | 6.3%  |
| Treasury/T-Bills    | 10.9% |
| FRN (AAA)           | 36.1% |
| Floating Rate Notes | 9.9%  |
| Fixed Interest      | 16.3% |
| Index-Linked        | 0.6%  |
| Infrastructure      | 2.5%  |
| Convertibles        | 6.6%  |
| Hedge Funds         | 0.6%  |
| Property / Real     | 2.4%  |

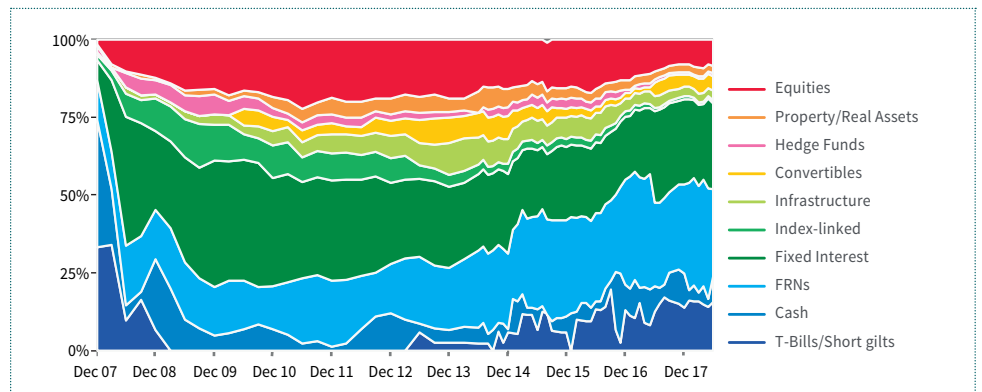
Source: Church House

### Low Volatility Returns



Source: Church House, Bloomberg.

### Asset Class Risk Profile as % of total VaR



Source: Church House.

### LEARN MORE ABOUT THIS FUND

**CALL: 0207 534 9877 and speak to our Sales Support Team**  
**EMAIL: [salesupport@church-house.co.uk](mailto:salesupport@church-house.co.uk)**

**CALL: 0207 534 9879 for our Sales Director, Sam Liddle**  
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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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