

SVS Church House Balanced Equity Income Fund

Annual Short Report

for the year ended 31 March 2017

Contents

	Page
Report of the Manager	2
Investment Adviser's report	3
Risk and reward profile	5
Fund Information	6
Performance Information	7
Ongoing charges figure	9
Portfolio Information	10
Appointments	11

SVS Church House Balanced Equity Income Fund

Report of the Manager

St Vincent St Fund Administration (trading name of Smith & Williamson Fund Administration Limited), as Manager, presents herewith the Annual Short Report ("the Report") for SVS Church House Balanced Equity Income Fund for the year ended 31 March 2017.

Risk disclosure

The main risks which may affect the assets and liabilities of the Fund, either directly or indirectly through its underlying holdings, are market risk, liquidity risk, credit risk and fair value of financial assets and financial liabilities. The Manager has processes in place to mitigate these risks.

Where the Fund has exposure to derivatives, global exposure is calculated and monitored daily using the commitment method with netting applied where appropriate.

The Manager monitors the investment activity of the Investment Adviser to ensure the investment activity is consistent with the investment objectives and the investment and borrowing powers which are laid out in the Prospectus.

There is no material difference between the value of the financial assets and liabilities and their fair value.

For further information please refer to the Prospectus or the Annual Long Report.

More information about the activities and performance of the Fund for this and previous periods can be obtained from the Manager.

Copies of the Prospectus and the Key Investor Information Document ("KIID") are available free of charge from the Manager.

The Annual Long Report is available on request from the Manager.

Investment objective and policy

The objective of the Fund is to provide investors with medium to long-term capital growth, with income through investment in a portfolio of UK equities. The Fund's portfolio will be mainly UK equities, selected for their value and income prospects, but a proportion will be invested in index-linked and other fixed interest securities and listed investment companies.

Changes affecting the Fund in the year

On 1 November 2016, the Manager's periodic charge changed as per below.

Funds under management	New arrangement %	Previous arrangement %
<£50 million	0.150	-
£50 million to <£100 million	0.125	-
< £100 million	-	0.150
£100 million to <£150 million	0.100	0.125
£150 million to <£200 million	0.080	0.100
on the remaining balance	0.050	0.080

Investment Adviser's report

Investment performance

Capital Performance over:	One Year	Three Years	Five Years
SVS Church House Balanced Equity Income Fund	+10.3%	+8.1%	+27.2%

Back-up data	31/03/2017	31/03/2016	31/03/2014	31/03/2012
SVS Church House Balanced Equity Income Fund	183.1	166.0	169.4	144.00

Source: Bloomberg (A units Income at 12pm pricing point)

Investment Activity

We reported in October on activity in the first half of the year so these comments cover the latter six months of the Fund's year.

The final quarter of 2016 brought to an end a difficult year for income funds. Bond yields sank to practically nothing in the summer and then reversed, taking the price of many of the reliable dividend-paying companies down with bond prices (along with the utility and infrastructure companies). More cheerfully, the November income payment from the portfolio reached a new high point.

Over the final quarter, infrastructure exposure was lower as we had sold the holding in Renewables Infrastructure Group while commercial property exposure was higher. While we are cautious for general commercial property, there are some interesting specialist areas: Tritax Big Box has a portfolio of very large warehouses (typically over 500,000 sq.ft.) let to major retailers, such as John Lewis, M&S and Amazon.

Into the first quarter of 2017: among the infrastructure holdings, we have taken up our entitlement to new shares in HICL Infrastructure and participated in their recent placing. In the real estate area, we took some profit from the holding in Standard Life Investment Property Income Trust (unlike most of the property companies, SLIP was trading back at pre-Brexit levels). Including cash deposits, these 'balancing' sections account for around one quarter of the portfolio at the end of the year.

Unilever moves up the ranking of the top fifteen holdings, while the oil majors move down. Berkeley Group appears in the list after a period of strong performance and some excellent results, while Babcock International Group drops out. There was one complete sale of the holding in Pearson, which had reported disappointing figures once too often.

In January, we added to the position in Royal Mail when their shares fell to a two-year low. Latterly, we added to the small holding in Carillion, after a further meeting with management, and to our long-standing position in Sage Group, whose shares had been drifting down since the autumn.

Top 15 holdings - 31 March 2017

GlaxoSmithKline	4.6%
Royal Dutch Shell 'B'	4.4%
HSBC Holdings	4.0%
AstraZeneca	3.0%
Unilever	2.8%
RELX	2.8%
Imperial Tobacco Group	2.6%
BP	2.4%
Diageo	2.1%
Smith & Nephew	2.0%
Standard Life Investment Property Income Trust	1.9%
BHP Billiton	1.8%
Rio Tinto	1.8%
Berkeley Group	1.8%
Aviva	1.8%

Investment Adviser's report (continued)

Investment strategy and outlook

Geopolitical events have pushed their way to the fore over the past couple of months. As is well known, President Trump's bombing of the Al Shayrat airfield in Syria ratcheted-up tensions in the region and between the United States and Russia, while North Korea's belligerence raised fears of China becoming embroiled in a new Far Eastern conflict, which could drag in South Korea and Japan.

Politics of the more domestic variety was always going to be a feature of 2017 and this has now taken a fresh turn with Prime Minister May's call for an early General Election. The run-in to the French Presidential Election appears to have been interminable, we hope that M Macron can clear the hurdle of the first round, at least we should know this result shortly. It is hard to recall a time when we have had French, German and United Kingdom elections in such a short period. Lurking in the background is the possibility of further Italian plebiscites after the failure of M Renzi's Constitutional Reform Referendum in December. Italy still has the ability to upset the European Union apple cart (assuming that M Macron has cleared the first French round, if not, France will do it).

At least it appears that the risk of an international trade war has been averted after the talks between Presidents Trump and Xi Jinping at Mar-a-Lago seemed to be more collaborative than combative. Let's hope that President Xi can also apply an appropriate dose of restraint to North Korea. Meanwhile, and it feels like an afterthought at the moment, world economic growth is going rather well and European and American growth is noticeably improving with no obvious economic threat. Note also that the International Monetary Fund has just increased its forecast for UK economic growth again, along with an increase for world economic growth.

Income yields on fixed interest stocks in the UK and Europe have fallen back to extremely low levels, apparently priced to discount disaster (economic or political). Of course, these interest rates are distorted by central bank interference in the markets so we don't actually know what 'true' levels would be. By contrast, equity markets have remained buoyant and reflect the expectation of continuing economic recovery.

Church House Investment Management

28 April 2017

Risk and reward profile

The risk and reward profile is relevant to all unit classes in the Fund.

The risk and reward indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the risk and reward indicator.

← Typically lower rewards, lower risk			Typically higher rewards, higher risk →			
1	2	3	4	5	6	7

The Fund is in a medium category because the price of its investments have risen or fallen to some extent. The category shown is not guaranteed to remain unchanged and may shift over time. Even the lowest category does not mean a risk-free investment.

The price of the Fund and any income from it can go down as well as up and is not guaranteed. Investors may not get back the amount invested. Past performance is not a guide to the future.

Exposure to the risks associated with property investment, include but are not limited to, fluctuations in land prices, construction costs, interest rates, inflation and property yields, changes in taxation, legislation changes in landlord and tenant legislation, environmental factors, and changes in the supply and demand for property.

Where this Fund invests into other investment funds, they may invest in different assets, countries or economic sectors and therefore have different risk profiles not in line with those of the Fund.

Investment trusts and closed ended funds may borrow to purchase additional investments. This can increase returns when stock markets rise but will magnify losses when markets fall.

The value of an investment trust or a closed-ended fund moves in line with stock market demand and its unit/share price may be less than or more than the net value of the investments it holds.

The price of natural resources may be subject to sudden, unexpected and substantial fluctuations. This may lead to significant declines in the values of any companies developing these resources in which the Fund invests and significantly impact investment performance.

For further information please refer to the Key Investor Information Document ("KIID").

For full details on risk factors for the Fund, please refer to the Prospectus.

The Fund's risk and reward indicator has decreased from 5 to 4 during the year.

Fund information

Distributions and reporting dates

Where net revenue is available it will be distributed/allocated semi-annually on 31 May (final) and 30 November (interim). In the event of a distribution, unitholders will receive a tax voucher.

XD dates:	1 April	final
	1 October	interim
Reporting dates:	31 March	annual
	30 September	interim

Buying and selling units

The property of the Fund is valued at 12 noon on each business day, with the exception of Christmas Eve and New Year's Eve or a bank holiday in England and Wales where it will be the last business day prior to those days. The price of units are calculated as at that time. Unit dealing is on a forward basis i.e. investors can buy and sell units at the next valuation point following receipt of the order.

The price of units and the estimated yield of the unit classes are published on the following website: www.fundlistings.com or may be obtained from the Manager by calling 0141 222 1151.

A units income and A units accumulation

The minimum initial investment is £5,000. The minimum subsequent investment is £5,000. The Manager reserves the right to terminate holdings where the value is less than £3,000. The manager may waive the minimum levels at its discretion.

B units income and B units accumulation

The minimum initial investment is £100,000. The minimum subsequent investment is £100,000. The Manager reserves the right to terminate holdings where the value is less than £100,000. The manager may waive the minimum levels at its discretion.

Management charges

There is no initial charge applied on the purchase of units.

A units income and A units accumulation

Annual management charge : 1.50% per annum

B units income and B units accumulation

Annual management charge : 0.875% per annum

The annual management charge includes the Manager's periodic charge and the Investment Adviser's fee. The Manager's periodic charge is 0.15% on the first £50 million of funds under management, 0.125% from £50 million to £100 million, 0.10% from £100 million to £150 million, 0.08% from £150 million to £200 million and 0.05% on the balance. The surplus is paid on to the Investment Adviser by the Manager.

Performance information

Number of units in issue	31.03.17	31.03.16	31.03.15
A units income	21,649,676	20,766,970	20,426,033
A units accumulation	1,224,649	1,274,404	1,653,848
B units income	597,242	424,755	n/a
B units accumulation	647,996	504,336	n/a
Net Asset Value (NAV)	£	£	£
Total NAV of the Fund	45,136,649	38,748,060	39,141,591
NAV attributable to A units income unitholders	39,144,315	33,989,484	35,319,414
NAV attributable to A units accumulation unitholders	3,175,927	2,891,508	3,822,177
NAV attributable to B units income unitholders	1,105,460	709,364	n/a
NAV attributable to B units accumulation unitholders	1,710,947	1,157,704	n/a
Net asset value per unit (based on bid value) ^	p	p	p
A units income	180.8	163.7	172.9
A units accumulation	259.3	226.9	231.1
B units income	185.1	167.0	n/a
B units accumulation	264.0	229.6	n/a

^ The net asset value per unit excludes the value of the income distributions payable.

A units income and A units accumulation was launched on 22 January 2002 at 100p per unit.

B units income launched on 23 June 2015 at 175.9p per unit and B units accumulation launched on 23 June 2015 at 235.0p per unit.

Highest and lowest prices and distributions

Financial year to 31 March		Distribution per unit p	Highest offer price p	Lowest bid price p
2015	A units income	5.834	181.1	152.1
2015	A units accumulation	7.602	240.6	204.6
2016	A units income	5.975	180.0	152.1
2016	A units accumulation	8.056	240.6	207.7
2016*	B units income	4.774	172.2	155.3
2016*	B units accumulation	6.416	236.7	210.0
2017	A units income	6.137	185.8	158.4
2017	A units accumulation	8.580	262.6	219.6
2017	B units income	6.838	190.5	161.8
2017	B units accumulation	9.486	267.3	222.5

* from 23 June 2015 to 31 March 2016.

Performance information (continued)

Summary of the distributions in the current and prior financial year:

A units income

Payment date	p	Payment date	p
30.11.16	3.475	30.11.15	3.467
31.05.17	2.662	31.05.16	2.508

A units accumulation

Allocation date	p	Allocation date	p
30.11.16	4.817	30.11.15	4.633
31.05.17	3.763	31.05.16	3.423

B units income

Payment date	p	Payment date	p
30.11.16	3.830	30.11.15	1.940
31.05.17	3.008	31.05.16	2.834

B units accumulation

Allocation date	p	Allocation date	p
30.11.16	5.259	30.11.15	2.581
31.05.17	4.227	31.05.16	3.835

Investments carry risk. Past performance is not a guide to future performance. Investors may not get back the amount invested.

Ongoing charges figure

The ongoing charges figure ("OCF") provides investors with a clearer picture of the total annual costs in running a collective investment scheme. The ongoing charges figure consists principally of the Manager's periodic charge and the Investment Adviser's fee which are included in the annual management charge, but also includes the costs for other services paid.

A units income	31.03.17	31.03.16
Annual management charge	1.50%	1.50%
Other expenses	0.07%	0.08%
Ongoing charges figure	<u>1.57%</u>	<u>1.58%</u>
A units accumulation	31.03.17	31.03.16
Annual management charge	1.50%	1.50%
Other expenses	0.07%	0.08%
Ongoing charges figure	<u>1.57%</u>	<u>1.58%</u>
B units income	31.03.17	31.03.16 [^]
Annual management charge	0.88%	0.88%
Other expenses	0.07%	0.08%
Ongoing charges figure	<u>0.95%</u>	<u>0.96%</u>
B units accumulation	31.03.17	31.03.16 [^]
Annual management charge	0.88%	0.88%
Other expenses	0.07%	0.08%
Ongoing charges figure	<u>0.95%</u>	<u>0.96%</u>

[^] Annualised based on the expenses incurred during the period 23 June 2015 to 31 March 2016.

Please note the ongoing charges figure is indicative of the charges which the unit classes may incur in a year as it is calculated on historical data.

Portfolio information

Portfolio by asset class and geographical spread

Investment Type	Percentage of the total net assets as at 31.03.17	Percentage of the total net assets as at 31.03.16
Debt securities denominated in UK sterling*		
AAA to AA+	2.78%	2.95%
A to A-	1.05%	2.62%
BBB- to BBB	2.33%	2.50%
Unrated	0.88%	-
Total debt securities	7.04%	8.07%
Equities:		
United Kingdom	84.56%	84.72%
Netherlands	2.78%	2.66%
United States	-	1.46%
Total Equities	87.34%	88.84%
Convertible Debentures	1.01%	1.11%
	95.39%	98.02%
Other net assets	4.61%	1.98%
Total net assets	100.00%	100.00%

* Grouped by credit rating - source: Interactive Data and Bloomberg.

Major ten holdings at the end of the current year

Holding	Percentage of the total net assets as at 31.03.17
GlaxoSmithKline	4.60%
Royal Dutch Shell 'B'	4.36%
HSBC Holdings	3.96%
AstraZeneca	2.99%
Unilever	2.84%
RELX	2.78%
Imperial Tobacco Group	2.57%
BP	2.43%
Diageo	2.12%
Smith & Nephew	2.02%

Major ten holdings at the end of the previous year

Holding	Percentage of the total net assets as at 31.03.16
GlaxoSmithKline	4.54%
Royal Dutch Shell 'B'	4.39%
HSBC Holdings	3.36%
Imperial Tobacco Group	2.99%
AstraZeneca	2.77%
Standard Life Investment Property Income Trust	2.67%
RELX	2.66%
Unilever	2.44%
Smith & Nephew	2.22%
BP	2.17%

Appointments

Manager and Registered office

St Vincent St Fund Administration (trading name of Smith & Williamson Fund Administration Limited)
25 Moorgate
London EC2R 6AY
Telephone: 020 7131 4000
Authorised and regulated by the Financial Conduct Authority

Administrator and Registrar

St Vincent St Fund Administration (trading name of Smith & Williamson Fund Administration Limited)
206 St. Vincent Street
Glasgow G2 5SG
Telephone: 0141 222 1151 (Registration)
0141 222 1150 (Dealing)
Authorised and regulated by the Financial Conduct Authority

Directors of the Manager

David Cobb
Giles Murphy
Jocelyn Dalrymple
Kevin Stopps
Paul Wyse
Peter Maher
Susan Shaw
James Gordon
Grant Hotson - appointed 22 August 2016
Tas Quayum - appointed 22 August 2016
Jeremy Boadle - resigned 31 October 2016
Brian McLean - appointed 17 February 2017

Investment Adviser

Church House Investments Limited
York House
6 Coldharbour
Sherborne
Dorset DT9 4JW
Authorised and regulated by the Financial Conduct Authority

Trustee

National Westminster Bank Plc
Trustee and Depositary Services
Younger Building
1st Floor
3 Redheughs Avenue
Edinburgh EH12 9RH
Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority

Appointments (continued)

Auditor

KPMG LLP

Saltire Court

20 Castle Terrace

Edinburgh EH1 2EG