

SVS Church House Balanced Equity Income Fund

Annual Long Report

for the year ended 31 March 2017

## Contents

### Page

Report of the Manager	2
Statement of the Manager's responsibilities	3
Report of the Trustee to the unitholders of SVS Church House Balanced Equity Income Fund	4
Independent Auditor's report to the unitholders of SVS Church House Balanced Equity Income Fund	5
Accounting policies of SVS Church House Balanced Equity Income Fund	6
Investment Adviser's report	8
Summary of material portfolio changes	10
Portfolio statement	11
Risk and reward profile	15
Comparative table	16
Ongoing charges figure	18
Financial statements:	
Statement of total return	19
Statement of change in net assets attributable to unitholders	19
Balance sheet	20
Notes to the financial statements	21
Distribution table	33
Further information	35
Appointments	37

# 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 Long Report ("the Report") for SVS Church House Balanced Equity Income Fund for the year ended 31 March 2017.

SVS Church House Balanced Equity Income Fund ("the Trust" or "the Fund") is an authorised unit trust scheme further to an authorisation order dated 22 January 2002 and is a UCITS scheme complying with the investment and borrowing powers rules in the Collective Investment Schemes sourcebook ("COLL"), as issued by the Financial Conduct Authority ("FCA").

The Manager is of the opinion that it is appropriate to continue to adopt the going concern basis in the preparation of the accounts as the assets of the Fund consist predominantly of securities which are readily realisable and, accordingly, the Fund has adequate financial resources to continue in operational existence for the foreseeable future. Further, appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of these accounts and applicable accounting standards have been followed.

The base currency of the Fund is UK Sterling.

The Trust Deed can be inspected at the offices of the Manager.

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

### Remuneration

In accordance with COLL 4.5.7R (7) The Authorised Fund Manager (AFM) is required to make disclosures of remuneration paid to staff and UCITS remuneration code staff by the AFM and a description of how the remuneration has been calculated. COLL 4.5.7A G allows the relevant disclosure not to be included in these accounts as the first full performance period of the AFM is not complete and the required information is therefore not currently available.

### 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

Further information in relation to the Fund is illustrated on page 35 and 36.

In accordance with the requirements of the Collective Investment Schemes sourcebook as issued and amended by the Financial Conduct Authority, we hereby certify the Report on behalf of the Manager, Smith & Williamson Fund Administration Limited.

P Maher

G Murphy

Directors

Smith & Williamson Fund Administration Limited

30 June 2017

## Statement of the Manager's responsibilities

The Collective Investment Schemes sourcebook ("COLL") requires the Manager to prepare financial statements for each annual accounting period which give a true and fair view of the financial affairs of the Fund as at the end of the financial period and of its net revenue and net capital gains on the property of the Fund for the year. In preparing the financial statements, the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- comply with the disclosure requirements of the Statement of Recommended Practice: "Financial Statements of UK Authorised Funds" issued by the Investment Association ("the IA") in May 2014;
- follow generally accepted United Kingdom accounting principles (UK accounting standards and applicable law) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue in operation;
- keep proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- make judgements and estimates that are reasonable and prudent; and
- take reasonable steps for the prevention and detection of fraud and other irregularities.

The Manager is responsible for the management of the Fund in accordance with the Trust Deed, the Prospectus and COLL.

## Report of the Trustee to the unitholders of SVS Church House Balanced Equity Income Fund

### Trustee's responsibilities

The Trustee must ensure that the Fund is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Trust Deed and Prospectus (together "the Scheme documents") as detailed below.

The Trustee must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Fund and its investors.

The Trustee is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Fund in accordance with the Regulations.

The Trustee must ensure that:

- the Fund's cash flows are properly monitored and that cash of the Fund is booked into cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units of the Fund are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Fund's assets is remitted to the Fund within the usual time limits;
- the Fund's income is applied in accordance with the Regulations; and
- the instructions of the Manager are carried out (unless they conflict with the Regulations).

The Trustee also has a duty to take reasonable care to ensure that the Fund is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Fund.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Trustee of the Fund, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Fund, acting through the Manager:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Fund's units and the application of the Fund's income in accordance with the Regulations and the Scheme documents, and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Fund.

National Westminster Bank Plc  
Trustee and Depositary Services  
30 June 2017

## Independent auditor's report to the unitholders of SVS Church House Balanced Equity Income ('the Trust')

We have audited the financial statements of the Trust for the year ended 31 March 2017 which comprise the Statement of Total Return, the Statement of Change in Net Assets Attributable to Unitholders, the Balance Sheet, the Related Notes and Distribution Tables and the Accounting policies set out on pages 6 to 8. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Trust's unitholders, as a body, in accordance with Rule 4.5.12 of the Collective Investment Schemes sourcebook ('the COLL Rules') issued by the Financial Conduct Authority under section 247 of the Financial Services and Markets Act 2000. Our audit work has been undertaken so that we might state to the Trust's unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trust's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Manager, Smith & Williamson Fund Administration Limited and Auditor

As explained more fully in the Statement of Manager's responsibilities set out on page 3 the Manager is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at: [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the financial position of the Trust as at 31 March 2017 and of the net revenue and the net capital gains on the property of the Trust for the year then ended; and
- have been properly prepared in accordance with the Trust Deed, the Statement of Recommended Practice relating to UK Authorised Funds, and the COLL Rules.

### Opinion on other matters prescribed by the COLL Rules

In our opinion the information given in the Manager's Report is consistent with the financial statements.

We have received all the information and explanations which we consider necessary for the purposes of our audit.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where under the COLL Rules we are required to report to you if, in our opinion:

- proper accounting records for the Trust have not been kept; or
- the financial statements are not in agreement with the accounting records.

Grant Archer  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG  
30 June 2017

## Accounting policies of SVS Church House Balanced Equity Income Fund for the year ended 31 March 2017

### *a Basis of accounting*

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments. They have been prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and in accordance with the Statement of Recommended Practice for UK Authorised Funds ("the SORP") issued by The Investment Association in May 2014. The Fund has elected to early adopt the amendments to FRS 102 in respect of the fair value hierarchy disclosure requirements for financial instruments held at fair value as permitted for authorised funds.

As described in the Manager's report, the Manager continues to adopt the going concern basis in the preparation of the accounts.

### *b Valuation of investments*

The purchase and sale of investments are included up to close of business on 31 March 2017.

Purchases and sales of investments are recognised when a legally binding and unconditional right to obtain, or an obligation to deliver an asset arises.

Investments are stated at their fair value at the balance sheet date. In determining fair value, the valuation point is global close of business on 31 March 2017 with reference to quoted bid prices from reliable external sources.

Where an observable market price is unreliable or does not exist, investments are valued at the Manager's best estimate of the amount that would be received from an immediate transfer at arm's length.

### *c Foreign exchange*

The base currency of the Fund is UK sterling which is taken to be the Fund's functional currency.

All transactions in foreign currencies are converted into sterling at the rates of exchange ruling at the dates of such transactions. The resulting exchange differences are disclosed in note 2 of the Notes to the financial statements.

Any foreign currency assets and liabilities at the end of the accounting period are translated at the exchange rate prevailing at the balance sheet date.

### *d Revenue*

Revenue is recognised in the Statement of total return on the following basis:

Dividends from quoted equity instruments and non equity shares are recognised as revenue, net of attributable tax credits on the date when the securities are quoted ex-dividend.

Overseas dividends are recognised as revenue gross of any withholding tax and the tax consequences are recognised within the tax expense.

Dividends from unquoted equity shares are recognised when declared.

Interest on bank deposits and short term deposits is recognised on an accruals basis.

Interest on debt securities is recognised on an effective yield basis. Accrued interest purchased and sold on interest bearing securities is excluded from the capital cost of these securities and dealt with as part of the revenue of the Fund. The amortised amounts are accounted for as revenue or as an expense and form part of the distributable revenue of the Fund.

### *e Expenses*

All expenses, with the exception of those expenses directly related to the purchase and sale of securities, which are charged to the capital property of the Fund, are charged to revenue and 50% of these expenses are reallocated to capital, net of any tax effect for distribution purposes only.

Bank interest paid is charged to revenue.

## Accounting policies of SVS Church House Balanced Equity Income Fund (continued) for the year ended 31 March 2017

### *f Allocation of revenue and expenses to multiple unit classes*

All revenue and expenses which are directly attributable to a particular unit class are allocated to that class. All revenue and expenses which are attributable to the Fund are allocated to the Fund and are normally allocated across the unit classes pro rata to the net asset value of each class on a daily basis.

### *g Taxation*

Tax payable on profits is recognised as an expense in the period in which profits arise. The tax effects of tax losses available to carry forward are recognised as an asset when it is probable that future taxable profits will be available, against which these losses can be utilised.

UK corporation tax is provided as amounts to be paid/recovered using the tax rates and laws that have been enacted at the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at 31 March 2017 to pay more or less tax, at a future date, at rates expected to apply when they crystallise based on current rates and tax laws. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets and liabilities are not discounted.

Provision for deferred tax assets are only made to the extent the timing differences are expected to be of future benefit.

All foreign dividend revenue is recognised as a gross amount which includes any withholding tax deducted at source. Where foreign tax is withheld in excess of the applicable treaty rate a tax debtor is recognised to the extent that the overpayment is considered recoverable.

### *h Efficient portfolio management*

Where appropriate, certain permitted instruments such as derivatives or forward currency contracts may be used for efficient portfolio management purposes. Where such instruments are used to protect or enhance revenue, the revenue or expenses derived therefrom are included in the Statement of total return as revenue related items and form part of the distribution. Where such instruments are used to protect or enhance capital, the gains and losses derived therefrom are included in the Statement of total return as capital related items.

### *i Distribution policies*

#### *i Basis of distribution*

The distribution policy is to distribute all available revenue after deduction of expenses payable from revenue. Distributions attributable to income units are paid to unitholders. Distributions attributable to accumulation units are re-invested in the relevant class on behalf of the unitholders.

#### *ii Unclaimed distributions*

Distributions to unitholders outstanding after 6 years are taken to the capital property of the Fund.

#### *iii Revenue*

All revenue is included in the final distribution with reference to policy d.

#### *iv Expenses*

Expenses incurred against the revenue of the Fund are included in the final distribution, subject to any expense which may be transferred to capital for the purpose of calculating the distribution, with reference to policy e.

#### *v Equalisation*

Group 2 units are units purchased on or after the previous XD date and before the current XD date. Equalisation applies only to group 2 units. Equalisation is the average amount of revenue included in the purchase price of group 2 units and is refunded to holders of these units as a return of capital. Being capital it is not liable to income tax in the hands of the unitholders but must be deducted from the cost of units for capital gains tax purposes. Equalisation per unit is disclosed in the Distribution table.



## 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

## Summary of material portfolio changes

for the year ended 31 March 2017

	Cost		Proceeds
	£	Sales	£
Purchases			
Target Healthcare REIT	525,000	Verizon Communications	604,929
Royal Mail	445,900	National Grid Gas 4.1875% 14/12/2022	602,658
Civitas Social Housing	445,000	Renewables Infrastructure Group	561,692
Craneware	406,813	Croda International	374,690
Shaftesbury Carnaby 2.487% 30/09/2031	400,000	Pearson	295,974
Next	386,327	Mercantile Investment Trust	253,291
Clinigen Group	335,109	N Brown Group	238,640
Tritax Big Box	330,000	Bunzl	225,428
Accesso Technology	321,884	Royal Dutch Shell 'B'	217,663
Bunzl	313,289	Standard Life Investment Property Income Trust	
Marks & Spencer Group	180,244	Next	216,998
J Sainsbury	107,756	HSBC Holdings	201,184
Sage Group	95,783	Invesco Income Growth Trust	158,253
Britvic	89,412	UBM	127,699
Howden Joinery Group	87,645		116,011
Aviva	84,236		
Unilever	79,491		
HICL Infrastructure	70,647		
Carillion	63,926		
Aberforth Geared Income Trust	62,939		

The above represents the major purchases and the total sales in the year to reflect a clearer picture of the major investment activities.

## Portfolio statement

as at 31 March 2017

	Nominal value or holding	Market value £	% of total net assets
Investment			
Debt securities 7.04% (8.07%)			
AAA to AA* 2.78% (2.95%)			
Heathrow Funding Index Linked 3.334% 09/12/2039	£250,000	568,750	1.26
Lloyds Bank 0.9594% 14/01/2019**	£500,000	501,774	1.11
UK Treasury Index Linked 4.125% 22/07/2030	£50,000	185,025	0.41
		<u>1,255,549</u>	<u>2.78</u>
A to A-* 1.05% (2.62%)			
AWG Parent Index Linked 4.125% 28/07/2020	£250,000	472,488	1.05
BBB+ to BBB* 2.33% (2.50%)			
JPMorgan Chase 1.06819% 30/05/2017**	£500,000	499,995	1.11
Southern Water Services Finance Index Linked 3.706% 31/03/2034	£218,000	550,585	1.22
		<u>1,050,580</u>	<u>2.33</u>
Unrated 0.88% (0.00%)			
Shaftesbury Carnaby 2.487% 30/09/2031	£400,000	396,620	0.88
		<u>3,175,237</u>	<u>7.04</u>
Total debt securities			
Convertible Debentures 1.01% (1.11%)			
PHP Finance Jersey 4.25% 20/05/2019	400,000	457,908	1.01
Total convertible debentures		<u>457,908</u>	<u>1.01</u>
Equities 87.34% (88.84%)			
Equities - United Kingdom 84.56% (84.72%)			
Equities - incorporated in the United Kingdom 71.54% (72.38%)			
Oil & Gas 6.79% (6.56%)			
BP	240,000	1,098,120	2.43
Royal Dutch Shell 'B'	90,000	1,966,050	4.36
		<u>3,064,170</u>	<u>6.79</u>
Chemicals 0.00% (0.78%)		-	-
Basic Resources 3.55% (2.57%)			
BHP Billiton	65,000	802,100	1.77
Rio Tinto	25,000	802,000	1.78
		<u>1,604,100</u>	<u>3.55</u>
Industrial Goods & Services 9.82% (9.12%)			
Babcock International Group	80,000	705,600	1.56
BAE Systems	115,000	738,875	1.64
Bunzl	25,000	580,000	1.28
Carillion	175,000	389,900	0.86
Halma	70,000	716,800	1.59
Howden Joinery Group	100,000	433,600	0.96
Meggitt	100,000	445,300	0.99
Royal Mail	100,000	425,000	0.94
		<u>4,435,075</u>	<u>9.82</u>

## Portfolio statement (continued)

as at 31 March 2017

	Nominal value or holding	Market value £	% of total net assets
Investment			
Equities - incorporated in the United Kingdom (continued)			
Food & Beverage 3.67% (3.66%)			
Britvic	65,000	422,175	0.94
Dairy Crest Group	50,000	276,750	0.61
Diageo	42,000	959,070	2.12
		<u>1,657,995</u>	<u>3.67</u>
Personal & Household Goods 8.40% (8.64%)			
Berkeley Group	25,000	801,750	1.78
Imperial Tobacco Group	30,000	1,160,100	2.57
Reckitt Benckiser Group	7,500	546,450	1.21
Unilever	32,500	1,280,338	2.84
		<u>3,788,638</u>	<u>8.40</u>
Health Care 10.49% (9.53%)			
AstraZeneca	27,500	1,350,938	2.99
Clinigen Group	50,000	396,750	0.88
GlaxoSmithKline	125,000	2,074,375	4.60
Smith & Nephew	75,000	911,250	2.02
		<u>4,733,313</u>	<u>10.49</u>
Retail 3.56% (4.30%)			
Greggs	35,000	365,050	0.81
J Sainsbury	200,000	528,600	1.17
Marks & Spencer Group	160,000	539,200	1.20
Next	4,000	172,760	0.38
		<u>1,605,610</u>	<u>3.56</u>
Media 0.00% (1.13%)		-	-
Travel & Leisure 1.17% (1.11%)			
Compass Group	35,000	526,750	1.17
Telecommunications 2.54% (3.59%)			
BT Group	165,000	525,030	1.16
Vodafone Group	300,000	624,300	1.38
		<u>1,149,330</u>	<u>2.54</u>
Utilities 3.49% (4.08%)			
Centrica	175,000	379,750	0.84
Ceravision***	750,000	-	-
National Grid	70,000	709,450	1.57
SSE	33,000	487,080	1.08
		<u>1,576,280</u>	<u>3.49</u>
Banks 6.34% (5.46%)			
Barclays	300,000	675,300	1.50
HSBC Holdings	275,000	1,789,975	3.96
Lloyds Banking Group	600,000	397,860	0.88
		<u>2,863,135</u>	<u>6.34</u>

## Portfolio statement (continued)

as at 31 March 2017

	Nominal value or holding	Market value £	% of total net assets
Investment			
Equities - incorporated in the United Kingdom (continued)			
Insurance 3.43% (3.72%)			
Aviva	150,000	798,000	1.77
Legal & General Group	175,000	432,775	0.96
Novae Group	50,000	315,250	0.70
		<u>1,546,025</u>	<u>3.43</u>
Financial Services 4.90% (5.72%)			
Aberdeen Asset Management	140,000	370,440	0.82
Aberforth Geared Income Trust	312,500	711,719	1.58
Close Brothers Group	40,000	615,200	1.36
Schroders	17,000	514,930	1.14
		<u>2,212,289</u>	<u>4.90</u>
Technology 3.39% (2.41%)			
Accesso Technology	20,000	324,000	0.72
Craneware	40,000	482,000	1.07
Sage Group	115,000	725,074	1.60
		<u>1,531,074</u>	<u>3.39</u>
Total equities - incorporated in the United Kingdom		<u>32,293,784</u>	<u>71.54</u>
Equities - incorporated outwith the United Kingdom 13.02% (12.34%)			
Media 0.68% (0.98%)			
UBM	40,000	305,400	0.68
Insurance 1.31% (1.22%)			
Phoenix Group Holdings	79,166	590,974	1.31
Real Estate 6.08% (3.85%)			
Civitas Social Housing	445,000	478,375	1.06
MedicX Fund	525,000	463,313	1.03
Standard Life Investment Property Income Trust	1,000,000	872,500	1.93
Target Healthcare REIT	500,000	567,500	1.26
Tritax Big Box	250,000	361,250	0.80
		<u>2,742,938</u>	<u>6.08</u>
Financial Services 4.95% (6.29%)			
GCP Infrastructure Investments	544,122	700,829	1.56
HICL Infrastructure	462,613	781,816	1.73
John Laing Infrastructure Fund	560,000	749,840	1.66
ULTra PRT***	2,620	-	-
		<u>2,232,485</u>	<u>4.95</u>
Total equities - incorporated outwith the United Kingdom		<u>5,871,797</u>	<u>13.02</u>
Total equities - United Kingdom		<u>38,165,581</u>	<u>84.56</u>

## Portfolio statement (continued)

as at 31 March 2017

	Nominal value or holding	Market value £	% of total net assets
Investment			
Equities - Europe 2.78% (4.12%)			
Equities - Netherlands 2.78% (2.66%)			
RELX	84,590	1,256,079	2.78
Equities - United States 0.00% (1.46%)		-	-
Total equities		39,421,660	87.34
Portfolio of investments		43,054,805	95.39
Other net assets		2,081,844	4.61
Total net assets		45,136,649	100.00

All investments are listed on recognised stock exchanges and are approved securities within the meaning of the FCA rules unless otherwise stated.

The comparative figures in brackets are as at 31 March 2016.

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

\*\* Variable interest rate security.

\*\*\* Ceravision & ULTra PRT are unquoted securities valued by the fair value pricing committee and are included in the portfolio of investments with no value.

United Kingdom equities are grouped in accordance with the Industry Classification Benchmark.

The Industry Classification Benchmark (ICB) is a joint product of FTSE International Limited and Dow Jones & Company, Inc. and has been licensed for use. "FTSE" is a trade and service mark of London Stock Exchange and the Financial Times Limited. "Dow Jones" and "DJ" are trade and service marks of Dow Jones & Company Inc. FTSE and Dow Jones do not accept any liability to any person for any loss or damage arising out of any error omission in the ICB.

## 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.



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.



## Comparative table

The following disclosures give a unitholder an indication of the performance of a unit in the Fund. It also discloses the operating charges and direct transaction costs applied to each unit. Operating charges are those charges incurred in operating the Fund and direct transaction costs are costs incurred when purchasing or selling securities in the portfolio of investments.

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

	A units income			A units accumulation		
	2017 p	2016 p	2015 p	2017 p	2016 p	2015 p
Change in net assets per unit						
Opening net asset value per unit	163.66	172.91	166.50	226.89	231.11	213.42
Return before operating charges	26.01	(0.62)	14.93	36.25	(0.62)	21.21
Operating charges	(2.72)	(2.65)	(2.69)	(3.81)	(3.60)	(3.52)
Return after operating charges *	23.29	(3.27)	12.24	32.44	(4.22)	17.69
Distributions <sup>^</sup>	(6.14)	(5.98)	(5.83)	(8.58)	(8.06)	(7.60)
Retained distributions on accumulation units <sup>^</sup>	-	-	-	8.58	8.06	7.60
Closing net asset value per unit	180.81	163.66	172.91	259.33	226.89	231.11
* after direct transaction costs of:	0.09	0.13	0.20	0.13	0.17	0.26
Performance						
Return after charges	14.23%	(1.89%)	7.35%	14.30%	(1.82%)	8.29%
Other information						
Closing net asset value (£)	39,144,315	33,989,484	35,319,414	3,175,927	2,891,508	3,822,177
Closing number of units	21,649,676	20,766,970	20,426,033	1,224,649	1,274,404	1,653,848
Operating charges	1.57%	1.58%	1.58%	1.57%	1.58%	1.58%
Direct transaction costs	0.05%	0.07%	0.17%	0.05%	0.08%	0.18%
Prices						
Highest offer unit price (p)	185.8	180.0	181.1	262.6	240.6	240.6
Lowest bid unit price (p)	158.4	152.1	152.1	219.6	207.7	204.6

<sup>^</sup> Rounded to 2 decimal places.

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

## Comparative table (continued)

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

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

	B units income		B units accumulation	
	2017 p	2016^^	2017 p	2016^^
Change in net assets per unit				
Opening net asset value per unit	167.01	175.90	229.55	235.00
Return before operating charges	26.57	(0.81)	36.78	(1.18)
Operating charges	(1.65)	(1.61)	(2.29)	(2.17)
Return after operating charges *	24.92	(2.42)	34.49	(3.35)
Distributions^	(6.84)	(4.77)	(9.49)	(6.42)
Retained distributions on accumulation units^	-	-	9.49	6.42
Closing net asset value per unit	185.09	167.01	264.04	229.55
* after direct transaction costs of:	0.10	0.10	0.13	0.13
Performance				
Return after charges	14.92%	(1.38%)	15.03%	(1.43%)
Other information				
Closing net asset value (£)	1,105,460	709,364	1,710,947	1,157,704
Closing number of units	597,242	424,755	647,996	504,336
Operating charges	0.95%	0.96%	0.95%	0.96%
Direct transaction costs	0.05%	0.06%	0.05%	0.06%
Prices				
Highest offer unit price (p)	190.5	172.2	267.3	236.7
Lowest bid unit price (p)	161.8	155.3	222.5	210.0

^ Rounded to 2 decimal places.

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

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 <sup>^</sup>
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 <sup>^</sup>
Annual management charge	0.88%	0.88%
Other expenses	0.07%	0.08%
Ongoing charges figure	<u>0.95%</u>	<u>0.96%</u>

<sup>^</sup> 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.

## Financial statements - SVS Church House Balanced Equity Income Fund

### Statement of total return

for the year ended 31 March 2017

	Notes	2017		2016	
		£	£	£	£
Income:					
Net capital gains / (losses)	2		4,468,014		(1,798,146)
Revenue	3	1,818,879		1,680,219	
Expenses	4	<u>(643,348)</u>		<u>(606,620)</u>	
Net revenue before taxation		1,175,531		1,073,599	
Taxation	5	<u>(4,568)</u>		<u>(6,831)</u>	
Net revenue after taxation			<u>1,170,963</u>		<u>1,066,768</u>
Total return before distributions			5,638,977		(731,378)
Distributions	6		(1,492,544)		(1,370,222)
Change in net assets attributable to unitholders from investment activities			<u>4,146,433</u>		<u>(2,101,600)</u>

### Statement of change in net assets attributable to unitholders

for the year ended 31 March 2017

		2017		2016	
		£	£	£	£
Opening net assets attributable to unitholders			38,748,060		39,141,591
Amounts receivable on issue of units		3,897,427		3,849,049	
Amounts payable on cancellation of units		<u>(1,819,757)</u>		<u>(2,275,675)</u>	
			2,077,670		1,573,374
Stamp duty reserve tax			1,490		-
Change in net assets attributable to unitholders from investment activities			4,146,433		(2,101,600)
Retained distributions on accumulation units			162,996		134,695
Closing net assets attributable to unitholders			<u>45,136,649</u>		<u>38,748,060</u>

**Balance sheet**  
*as at 31 March 2017*

	Notes	2017 £	2016 £
<b>Assets:</b>			
<b>Fixed assets:</b>			
Investments		43,054,805	37,981,392
<b>Current assets:</b>			
Debtors	7	368,504	320,259
Cash and bank balances	8	2,356,642	986,311
<b>Total assets</b>		<u>45,779,951</u>	<u>39,287,962</u>
<b>Liabilities:</b>			
<b>Creditors:</b>			
Bank overdrafts	8	(7)	-
Distribution payable	6	(594,279)	(532,873)
Other creditors	9	(49,016)	(7,029)
<b>Total liabilities</b>		<u>(643,302)</u>	<u>(539,902)</u>
<b>Net assets attributable to unitholders</b>		<u>45,136,649</u>	<u>38,748,060</u>

## Notes to the financial statements

for the year ended 31 March 2017

### 1. Accounting policies

The accounting policies are disclosed on pages 6 to 8.

2. Net capital gains / (losses)	2017	2016
	£	£
Non-derivative securities - realised gains	764,079	456,641
Non-derivative securities - movement in unrealised gains / (losses)	3,700,674	(2,266,540)
Special dividends	-	15,000
Currency gains / (losses)	3,889	(2,596)
Transaction charges	(628)	(651)
Total net capital gains / (losses)	<u>4,468,014</u>	<u>(1,798,146)</u>

Unrealised gains/(losses) are disclosed as the movement in unrealised gains/(losses) on investments between the prior year and the current year. Where realised gains/(losses) on investments include unrealised gains/(losses) arising in previous periods, a corresponding gain/(loss) is included in unrealised gains/(losses).

3. Revenue	2017	2016
	£	£
Franked revenue	1,415,254	1,264,511
Unfranked revenue	53,975	37,064
Overseas revenue	243,525	274,254
Interest on debt securities	106,125	104,390
Total revenue	<u>1,818,879</u>	<u>1,680,219</u>

4. Expenses	2017	2016
	£	£
Payable to the Manager and associates		
Annual management charge	615,341	574,969
Registration fees	274	267
	<u>615,615</u>	<u>575,236</u>
Payable to the Trustee		
Trustee fees	<u>13,852</u>	<u>17,609</u>
Other expenses:		
Audit fee	5,940	6,120
Safe custody fees	4,878	5,706
Bank interest	31	-
FCA fee	65	96
KIID production fee	1,017	1,253
Publication fee	1,950	-
Legal fee	-	600
	<u>13,881</u>	<u>13,775</u>
Total expenses	<u>643,348</u>	<u>606,620</u>

5. Taxation	2017	2016
	£	£
<i>a. Analysis of the tax charge for the year</i>		
Overseas tax withheld	<u>4,568</u>	<u>6,831</u>
Total current taxation (note 5b)	<u>4,568</u>	<u>6,831</u>

## Notes to the financial statements (continued)

for the year ended 31 March 2017

### 5. Taxation (continued)

#### b. Factors affecting the tax charge for the year

The tax assessed for the year is lower (2016: lower) than the standard rate of UK corporation tax for an authorised collective investment scheme 20% (2016: 20%). The differences are explained below:

	2017	2016
	£	£
Net revenue before taxation	<u>1,175,531</u>	<u>1,073,599</u>
Corporation tax @ 20%	235,107	214,720
Effects of:		
Franked revenue	(283,051)	(252,902)
Overseas revenue	(48,705)	(54,851)
Overseas tax withheld	4,568	6,831
Expenses not deductible for tax purposes	-	120
Excess management expenses	<u>96,649</u>	<u>92,913</u>
Total taxation (note 5a)	<u>4,568</u>	<u>6,831</u>

At the year end, a deferred tax asset has not been recognised in respect of timing differences relating to excess management expenses as there is insufficient evidence that the asset will be recovered. The amount of asset not recognised is £882,453 (2016: £785,804). The prior year excess management expenses have been restated due to a change in the treatment of legal fees.

### 6. Distributions

The distributions take account of revenue added on the issue of units and revenue deducted on the cancellation of units, and comprise:

	2017	2016
	£	£
Interim income distribution	761,544	703,028
Interim accumulation distribution	89,522	71,731
Final income distribution	594,279	532,873
Final accumulation distribution	<u>73,474</u>	<u>62,964</u>
	1,518,819	1,370,596
Equalisation:		
Amounts deducted on cancellation of units	13,707	19,755
Amounts added on issue of units	(39,953)	(31,241)
Net equalisation on conversions	<u>(29)</u>	<u>11,112</u>
Total net distributions	<u>1,492,544</u>	<u>1,370,222</u>

#### Reconciliation between net revenue and distributions:

	2017	2016
	£	£
Net revenue after taxation per Statement of total return	1,170,963	1,066,768
Undistributed revenue brought forward	55	200
Expenses paid from capital	321,659	303,309
Undistributed revenue carried forward	(133)	(55)
Distributions	<u>1,492,544</u>	<u>1,370,222</u>

Details of the distribution per unit are disclosed in the Distribution table.

## Notes to the financial statements (continued)

for the year ended 31 March 2017

7. Debtors	2017	2016
	£	£
Amounts receivable on issue of units	149,057	118,481
Accrued revenue	216,517	200,569
Recoverable overseas withholding tax	2,930	1,209
Total debtors	<u>368,504</u>	<u>320,259</u>
8. Cash and bank balances	2017	2016
	£	£
Bank balances	2,356,642	986,311
Total cash and bank balances	<u>2,356,642</u>	<u>986,311</u>
Bank overdraft	<u>(7)</u>	<u>-</u>
9. Other creditors	2017	2016
	£	£
Amounts payable on cancellation of units	38,395	-
Accrued expenses:		
Payable to the Manager and associates		
Registration fees	-	65
	<u>-</u>	<u>65</u>
Other expenses:		
Safe custody fees	3,751	535
Audit fee	5,940	6,120
KIID production fee	185	278
Publication fee	390	-
Transaction charges	355	31
	<u>10,621</u>	<u>6,964</u>
Total accrued expenses	<u>10,621</u>	<u>7,029</u>
Total other creditors	<u>49,016</u>	<u>7,029</u>

### 10. Commitments and contingent liabilities

At the balance sheet date there are no commitments or contingent liabilities.

### 11. Unit classes

The Fund currently has four unit classes; A units income, A units accumulation, B units income and B units accumulation.

The following reflects the change in units in issue for each unit class in the year:

	A units income
Opening units in issue	20,766,970
Total units issued in the year	1,703,298
Total units cancelled in the year	(802,806)
Total units converted in the year	<u>(17,786)</u>
Closing units in issue	<u>21,649,676</u>



## Notes to the financial statements (continued)

for the year ended 31 March 2017

### 11. Unit classes (continued)

	A units accumulation
Opening units in issue	1,274,404
Total units issued in the year	57,680
Total units cancelled in the year	(107,435)
Closing units in issue	<u>1,224,649</u>
	B units income
Opening units in issue	424,755
Total units issued in the year	200,487
Total units cancelled in the year	(45,387)
Total units converted in the year	17,387
Closing units in issue	<u>597,242</u>
	B units accumulation
Opening units in issue	504,336
Total units issued in the year	184,170
Total units cancelled in the year	(40,510)
Closing units in issue	<u>647,996</u>

The annual management charge for each unit class is as follows:

A units income:	1.50%
A units accumulation:	1.50%
B units income:	0.875%
B units accumulation:	0.875%

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

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

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

Funds under management	charge %
< £100 million	0.150
£100 million to <£150 million	0.125
£150 million to <£200 million	0.100
on the remaining balance	0.080

## Notes to the financial statements (continued)

for the year ended 31 March 2017

### 11. Unit classes (continued)

The annual management charge includes the Manager's periodic charge and the Investment Adviser's fee. The Investment Adviser's fee is the remainder of the annual management charge after payment of the Manager's periodic charge.

Further information in respect of the return per unit is disclosed in the Comparative table.

On the winding up of a Fund all the assets of the Fund will be realised and apportioned to the unit classes in relation to the net asset value on the closure date. Unitholders will receive their respective share of the proceeds, net of liabilities and the expenses incurred in the termination in accordance with the FCA regulations. Each unit class has the same rights on winding up.

### 12. Related party transactions

Smith & Williamson Fund Administration Limited, as Manager, is a related party due to its ability to act in respect of the operations of the Fund.

The Manager acts as principal in respect of all transactions of units in the Fund. The aggregate monies received and paid through the issue and cancellation of units are disclosed in the Statement of change in net assets attributable to unitholders.

Amounts payable to the Manager and its associates are disclosed in note 4. The amount due to the Manager and its associates at the balance sheet date is disclosed in note 9.

A director of the Manager, the Investment Adviser or a body corporate within the same group as the Manager or Investment Adviser may have significant influence over the financial and operating policies of the Fund and as such are deemed to be a related party.

	2017	2016
Church House Investments Ltd	94.35%	96.09%

A unitholder with a holding in excess of 20% of the value of the Fund may be able to exercise significant influence over the financial and operating policies of the Fund with reference to unitholders' voting rights at general meetings and as such is deemed to be a related party.

Parties with an interest in excess of 20% of the Fund are as follows:

	2017	2016
Church House Investments Ltd	94.35%	96.09%

### 13. Events after the balance sheet date

Subsequent to the year end, the net asset value per A income unit has increased from 180.8p to 185.9p, A accumulation unit has increased from 259.3p to 266.7p, B income unit has increased from 185.1p to 190.6p and the B accumulation unit has increased from 264.0p to 271.9p as at 22 June 2017. This movement takes into account routine transactions but also reflects the market movements of recent months.

## Notes to the financial statements (continued)

for the year ended 31 March 2017

### 14. Transaction costs

#### a Direct transaction costs

Direct transaction costs include fees and commissions paid to agents, advisers, brokers and dealers; levies by regulatory agencies and security exchanges; and transfer taxes and duties.

Commission is a charge which is deducted from the proceeds of the sale of securities and added to the cost of the purchase of securities. This charge is a payment to agents, advisers, brokers and dealers in respect of their services in executing the trades.

Tax is payable on the purchase of securities in the United Kingdom. It may be the case that 'other taxes' will be charged on the purchase of securities in countries other than the United Kingdom.

The total purchases and sales and the related direct transaction costs incurred in these transactions are as follows:

	2017	% of purchases by asset class	2016	% of purchases by asset class
Purchases:	£		£	
Equities - purchases before transaction costs	4,730,595		3,995,309	
Commission	5,666	0.12%	12,678	0.32%
Taxes	11,061	0.23%	12,240	0.30%
Total direct transaction costs - equities	16,727	0.35%	24,918	0.62%
Equities - purchases after direct transaction costs	4,747,322		4,020,227	
Bonds*	400,000		500,220	
Total purchases after direct transaction costs	5,147,322		4,020,227	
Capital events^	177,071		-	

^ The total purchases exclude capital events as there were no direct transaction costs charged in these transactions.

\* No direct transaction costs were incurred in these transactions.

	2017	% of sales by asset class	2016	% of sales by asset class
Sales:	£		£	
Equities - sales before transaction costs	3,598,379		2,347,589	
Commission	(5,915)	0.16%	(3,790)	0.16%
Taxes	(12)	0.00%	-	-
Total direct transaction costs - equities	(5,927)	0.16%	(3,790)	0.16%
Equities - sales after direct transaction costs	3,592,452		2,343,799	
Bonds *	602,658		955,884	
Total sales after direct transaction costs	4,195,110		3,299,683	
Capital events^	544,839		-	

^ The total sales exclude capital events as there were no direct transaction costs charged in these transactions.

\* No direct transaction costs were incurred in these transactions.

## Notes to the financial statements (continued)

for the year ended 31 March 2017

### 14. Transaction costs (continued)

#### a Direct transaction costs (continued)

##### Summary of direct transaction costs

The following represents the total of each type of transaction cost, expressed as a percentage of the Fund's average net asset value in the year:

	2017	% of average net asset value	2016	% of average net asset value
	£		£	
Commission	11,581	0.03%	16,468	0.04%
Taxes	11,073	0.03%	12,240	0.03%

#### b Average portfolio dealing spread

The average dealing spread is calculated as the difference between the bid and offer value of the portfolio as a percentage of the offer value.

The average portfolio dealing spread of the investments at the balance sheet date was 0.25% ( 2016: 0.16%).

## Notes to the financial statements (continued)

for the year ended 31 March 2017

### 15. Risk management policies

In pursuing the Fund's investment objective, as set out in the Prospectus, the following are accepted by the Manager as being the main risks from the Fund's holding of financial instruments, either directly or indirectly through its underlying holdings. These are presented with the Manager's policy for managing these risks. To ensure these risks are consistently and effectively managed these are continually reviewed by the risk committee, a body appointed by the Manager, which sets the risk appetite and ensures continued compliance with the management of all known risks.

#### a Market risk

Market risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices and comprise three elements; other price risk, currency risk, and interest rate risk.

#### (i) Other price risk

The Fund's exposure to price risk comprises mainly of movements in the value of investment positions in the face of price movements.

The main element of the portfolio of investments which is exposed to this risk is equities which are disclosed in the Portfolio statement.

This risk is generally regarded as consisting of two elements; stock specific risk and market risk. Through these two factors, the Fund is exposed to price fluctuations, which are monitored by the Manager in pursuance of the investment objective and policy.

Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective of the Fund, spreading exposure in the portfolio of investments both globally and across sectors or geography can mitigate market risk.

At 31 March 2017, if the price of the investments held by the Fund increased or decreased by 5%, with all other variables remaining constant, then the net assets attributable to the unitholder would increase or decrease by approximately £1,971,083 (2016 : £1,721,115)

#### (ii) Currency risk

Currency risk is the risk that the value of investments or future cash flows will fluctuate as a result of exchange rate movements. Investment in overseas securities or holdings of foreign currency cash will provide direct exposure to currency risk as a consequence of the movement in foreign exchange rates against sterling. These fluctuations can also affect the profitability of some UK companies, and thus their market prices, as sterling's relative strength or weakness can affect export prospects, the value of overseas earnings in sterling terms, and the prices of imports sold in the UK.

Forward currency contracts may be used to manage the portfolio exposure to currency movements.

The foreign currency risk profile of the Fund's financial instruments and cash holdings at the balance sheet date is as follows:

	Financial instruments and cash holdings	Net debtors and creditors	Total net foreign currency exposure
2017	£	£	£
Euro	1,256,079	2,930	1,259,009
US dollar	(7)	57,279	57,272
Total foreign currency exposure	1,256,072	60,209	1,316,281

## Notes to the financial statements (continued)

for the year ended 31 March 2017

### 15. Risk management policies (continued)

#### a Market risk (continued)

#### (ii) Currency risk (continued)

	Financial instruments and cash holdings	Net debtors and creditors	Total net foreign currency exposure
2016	£	£	£
Euro	1,029,164	1,209	1,030,373
US dollar	564,082	44,792	608,874
Total foreign currency exposure	<u>1,593,246</u>	<u>46,001</u>	<u>1,639,247</u>

At 31 March 2017, if the value of sterling increased or decreased by 5% against all other currencies, with all other variables remaining constant, then the net assets attributable to the unitholder would increase or decrease by approximately £65,814 (2016 : £81,962)

#### (iii) Interest rate risk

Interest rate risk is the risk that the value of the Fund's investments will fluctuate as a result of interest rate changes.

During the year the Fund's direct exposure to interest rates consisted of cash and bank balances and interest bearing securities.

The amount of revenue receivable from floating rate securities and bank balances or payable on bank overdrafts will be affected by fluctuations in interest rates.

The value of interest bearing securities may be affected by changes in the interest rate environment, either globally or locally.

In the event of change in interest rates, there would be no material impact upon the assets of the Fund.

The Fund would not in normal market conditions hold significant cash balances and would have limited borrowing capabilities as stipulated in the COLL rules.

Derivative contracts are not used to hedge against the exposure to interest rate risk.

The interest rate risk profile of financial assets and liabilities at the balance sheet date is as follows:

	Variable rate financial assets	Variable rate financial liabilities	Fixed rate financial assets	Non-interest bearing financial assets	Non-interest bearing financial liabilities	Total
2017	£	£	£	£	£	£
UK sterling	5,135,259	-	854,528	38,473,876	(643,295)	43,820,368
Euro	-	-	-	1,259,009	-	1,259,009
US dollar	-	(7)	-	57,279	-	57,272
	<u>5,135,259</u>	<u>(7)</u>	<u>854,528</u>	<u>39,790,164</u>	<u>(643,295)</u>	<u>45,136,649</u>

## Notes to the financial statements (continued)

for the year ended 31 March 2017

### 15. Risk management policies (continued)

#### a Market risk (continued)

	Variable rate financial assets	Variable rate financial liabilities	Fixed rate financial assets	Non-interest bearing financial assets	Non-interest bearing financial liabilities	Total
2016	£	£	£	£	£	£
UK sterling	4,113,502	-	431,896	33,103,317	(539,902)	37,108,813
Euro	-	-	-	1,030,373	-	1,030,373
US dollar	4	-	-	608,870	-	608,874
	<u>4,113,506</u>	<u>-</u>	<u>431,896</u>	<u>34,742,560</u>	<u>(539,902)</u>	<u>38,748,060</u>

#### b Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. This includes counterparty risk and issuer risk.

The Trustee has appointed the custodian to provide custody services for the assets of the Fund. There is a counterparty risk that the custodian could cease to be in a position to provide custody services to the Fund. The Fund's investments (excluding cash) are ring fenced hence the risk is considered to be negligible.

In addition to the interest rate risk, bond investments are exposed to issuer risk which reflects the ability for the bond issuer to meet its obligations to pay interest and return the capital on the redemption date. Change in issuer risk will change the value of the investments and are dealt with further in note 15a. The majority of securities held within the portfolio are investment grade bonds. These are made across a variety of industry sectors, and geographical markets, so as to avoid concentrations of credit risk. A breakdown is provided in the Portfolio statement. The credit quality of the debt securities is disclosed in the Portfolio statement.

The Fund holds cash and cash deposits with financial institutions which potentially exposes the Fund to counterparty risk. The credit rating of the financial institution is taken into account so as to minimise the risk to the Fund of default.

Holdings in collective investment schemes are subject to direct credit risk. The exposure to pooled investment vehicles is unrated.

#### c Liquidity risk

A significant risk is the cancellation of units which investors may wish to sell and that securities may have to be sold in order to fund such cancellations if insufficient cash is held at the bank to meet this obligation. If there were significant requests for the redemption of units at a time when a large proportion of the portfolio of investments were not easily tradable due to market volumes or market conditions, the ability to fund those redemptions would be impaired and it might be necessary to suspend dealings in units in the Fund.

Investments in smaller companies at times may prove illiquid, as by their nature they tend to have relatively modest traded share capital. Shifts in investor sentiment, or the announcement of new price sensitive information, can provoke significant movement in share prices, and make dealing in any quantity difficult.

The Fund may also invest in securities that are not listed or traded on any stock exchange. In such situations the Fund may not be able to immediately sell such securities.

To reduce liquidity risk the Manager will ensure, in line with the limits stipulated within the COLL rules, a substantial portion of the Fund's assets consist of readily realisable securities. This is monitored on a monthly basis and reported to the Risk Committee together with historical outflows of the Fund.

## Notes to the financial statements (continued)

for the year ended 31 March 2017

### 15. Risk management policies (continued)

#### c Liquidity risk (continued)

In addition liquidity is subject to stress testing on an annual basis to assess the ability of the Fund to meet large redemptions (50% of the net asset value and 80% of the net asset value), while still being able to adhere to its objective guidelines and the FCA investment borrowing regulations.

All of the financial liabilities are payable on demand. In the case of forward foreign currency contracts these are payable in less than one year.

#### d Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

To ensure this, the fair value pricing committee is a body appointed by the Manager to analyse, review and vote on price adjustments/maintenance where no current secondary market exists and/or where there are potential liquidity issues that would affect the disposal of an asset. In addition, the committee may also consider adjustments to the Fund's price should the constituent investments be exposed to closed markets during general market volatility or instability.

	Investment assets	Investment liabilities
Valuation technique	2017	2017
	£	£
Quoted prices in active markets	39,606,685	-
Inputs other than quoted prices that are observable	3,448,120	-
Inputs are unobservable and market data is unavailable	-	-
	<u>43,054,805</u>	<u>-</u>
	Investment assets	Investment liabilities
Valuation technique	2016	2016
	£	£
Quoted prices in active markets	34,590,484	-
Inputs other than quoted prices that are observable	3,390,908	-
Inputs are unobservable and market data is unavailable	-	-
	<u>37,981,392</u>	<u>-</u>

The following securities are valued in the portfolio of investments using valuation techniques:

Ceravision and ULTraPRT: The fair value pricing committee feels that it is appropriate to include the securities in the portfolio of investments with no value. The value is based on the sufficient doubt over the continued viability of the businesses.

#### e Assets subject to special arrangements arising from their illiquid nature

The following assets held in the portfolio of investments are subject to special arrangements arising from their illiquid nature:

	2017	2016
Ceravision	0.00%	0.00%
ULTraPRT	0.00%	0.00%
Total	<u>0.00%</u>	<u>0.00%</u>



## Notes to the financial statements (continued)

for the year ended 31 March 2017

### 15. Risk management policies (continued)

#### f Derivatives

The Fund may employ derivatives with the aim of reducing the Fund's risk profile, reducing costs or generating additional capital or revenue, in accordance with efficient portfolio management.

The Manager monitors that any exposure is covered globally to ensure adequate cover is available to meet the Fund's total exposure, taking into account the value of the underlying investments, any reasonably foreseeable market movement, counterparty risk, and the time available to liquidate any positions.

For certain derivative transactions cash margins may be required to be paid to the brokers with whom the trades were executed and settled. These balances are subject to daily reconciliations and are held by the broker in segregated cash accounts that are afforded client money protection.

During the year there were no derivative transactions.

#### (i) Counterparties

Transactions in securities give rise to exposure to the risk that the counterparties may not be able to fulfil their responsibility by completing their side of the transaction. This risk is mitigated by the Fund using a range of brokers for security transactions, thereby diversifying the risk of exposure to any one broker. In addition the Fund will only transact with brokers who are subject to frequent reviews with whom transaction limits are set.

The Fund may transact in derivative contracts which potentially exposes the Fund to counterparty risk from the counterparty not settling their side of the contract. Transactions involving derivatives are entered into only with investment banks and brokers with appropriate and approved credit rating, which are regularly monitored. Forward currency transactions are only undertaken with the custodians appointed by the Trustee.

At the balance sheet date, there are no securities in the portfolio of investments subject to a repurchase agreement.

#### (ii) Leverage

There have been no leveraging arrangements in the year.

#### (iii) Global exposure

Global exposure is a measure designed to limit the leverage generated by a Fund through the use of financial derivative instruments, including derivatives with embedded assets.

At the balance sheet date there is no global exposure to derivatives.

There have been no collateral arrangements in the year.

## Distribution table

for the year ended 31 March 2017

### Distributions on A units income in pence per unit

Payment date	Unit type	Distribution type	Net revenue	Equalisation	Distribution current year	Distribution prior year
30.11.16	group 1	interim	3.475	-	3.475	3.467
30.11.16	group 2	interim	2.054	1.421	3.475	3.467
31.05.17	group 1	final	2.662	-	2.662	2.508
31.05.17	group 2	final	1.164	1.498	2.662	2.508

### Distributions on A units accumulation in pence per unit

Allocation date	Unit type	Distribution type	Net revenue	Equalisation	Distribution current year	Distribution prior year
30.11.16	group 1	interim	4.817	-	4.817	4.633
30.11.16	group 2	interim	2.018	2.799	4.817	4.633
31.05.17	group 1	final	3.763	-	3.763	3.423
31.05.17	group 2	final	1.664	2.099	3.763	3.423

### Equalisation

Equalisation applies only to group 2 units. It is the average amount of revenue included in the purchase price of group 2 units and is refunded to holders of these units as a return of capital. Being capital it is not liable to income tax in the hands of the unitholder but must be deducted from the cost of units for capital gains tax purposes.

### Accumulation distributions

Holders of accumulation units should add the distributions received thereon to the cost of the units for capital gains tax purposes.

### Interim distribution:

- Group 1                    Units purchased before 1 April 2016
- Group 2                    Units purchased on or after 1 April 2016 to 30 September 2016

### Final distribution:

- Group 1                    Units purchased before 1 October 2016
- Group 2                    Units purchased on or after 1 October 2016 to 31 March 2017

## Distribution table (continued)

for the year ended 31 March 2017

### Distributions on B units income in pence per unit

Payment date	Unit type	Distribution type	Net revenue	Equalisation	Distribution current year	Distribution prior year
30.11.16	group 1	interim	3.830	-	3.830	1.940
30.11.16	group 2	interim	2.296	1.534	3.830	1.940
31.05.17	group 1	final	3.008	-	3.008	2.834
31.05.17	group 2	final	0.663	2.345	3.008	2.834

### Distributions on B units accumulation in pence per unit

Allocation date	Unit type	Distribution type	Net revenue	Equalisation	Distribution current year	Distribution prior year
30.11.16	group 1	interim	5.259	-	5.259	2.581
30.11.16	group 2	interim	2.836	2.423	5.259	2.581
31.05.17	group 1	final	4.227	-	4.227	3.835
31.05.17	group 2	final	1.483	2.744	4.227	3.835

### Equalisation

Equalisation applies only to group 2 units. It is the average amount of revenue included in the purchase price of group 2 units and is refunded to holders of these units as a return of capital. Being capital it is not liable to income tax in the hands of the unitholder but must be deducted from the cost of units for capital gains tax purposes.

### Accumulation distributions

Holders of accumulation units should add the distributions received thereon to the cost of the units for capital gains tax purposes.

### Interim distribution:

Group 1 Units purchased before 1 April 2016

Group 2 Units purchased on or after 1 April 2016 to 30 September 2016

### Final distribution:

Group 1 Units purchased before 1 October 2016

Group 2 Units purchased on or after 1 October 2016 to 31 March 2017

## Further 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.

Prices of shares and the estimated yield of the unit classes are published on the following website: [www.fundlistings.com](http://www.fundlistings.com) or may be obtained 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.

### Capital Gains Tax

Authorised collective investment schemes, such as the Fund are exempt from capital gains tax.

You may be liable to capital gains tax when you sell all or some of your units if your total gains in the relevant tax year exceed the annual exemption. For the tax year 2017/2018, the first £11,500 (2016/2017 £11,100) of any gains is exempt for UK individuals and certain companies.

If investors are in any doubt as to their taxation position they should consult their professional adviser. Levels and bases of, and reliefs from, taxation are subject to change in the future.

## Further information (continued)

Any references in this report to other investments held within the Fund should not be read as a recommendation to the investor to buy or sell, but are included as illustrations only. This is not an offer nor a solicitation to buy or sell any investment referred to in this document. The issuer and its affiliates and/or their officers, directors and employees may own or have positions in any investment mentioned herein or any investment related thereto and from time to time may add to or dispose of any such investment. The contents of this document are based upon sources of information believed to be reliable but no guarantee, warranty or representation, express or implied, is given to their accuracy or completeness.

## 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