SVS Church House Investment Grade Fixed Interest Fund

Interim Short Report

for the year ended 30 September 2016

Contents

SVS Church House Investment Grade Fixed Interest Fund

Report of the Manager

Smith & Williamson Fund Administration Limited as Manager hereby presents the Interim Short Report for SVS Church House Investment Grade Fixed Interest Fund ("the Fund") for the for the six months ended 30 September 2016.

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 Interim 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 Interim Long Report is available on request from the Manager.

Investment objective and policy

The objective of the Fund is to secure a high level of income through investment principally in investment grade corporate bonds, United Kingdom Government Gilts and supra-national issues. The Fund may also invest in other higher income securities such as preference shares and infrastructure funds and other interest bearing securities such as Treasury bills. The Fund also seeks to hedge the interest rate or credit risk in the portfolio through the use of derivative instruments.

Changes affecting the Fund in the period

There were no fundamental or significant changes to the Fund in the period.

Subsequent to the balance sheet date, 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

SVS Church House Investment Grade Fixed Interest Fund
Investment Adviser's report

Investment performance (source: Bloomberg)

Capital performance* over:	Six months to 30.09.16	Three years to 30.09.16	Five years to 30.09.16
SVS Church House Investment Grade Fixed Interest Fund	4.10%	5.70%	14.10%
iBoxx Stg AA Corp 5-15 year	6.90%	13.20%	22.70%

* Percentage change in bid price of income units

Investment activities

This table provides an overall analysis of the SVS Church House Investment Grade Fixed Interest Fund portfolio at the beginning and end of the period:

SVS Church House Investment Grade Fixed Interest Fund	September 2016	June 2016
Short-dated Securities (less than 5 years)	56%	58%
Medium-dated Securities (5 to 15 years)	37%	36%
Long-dated Securities (over 15 years)	7%	6%
Duration of Portfolio (Macaulay)	4.2	4
Volatility* (past year)	2.90%	2.10%
Number of Holdings	113	111
Gross Yield	2.50%	2.90%
Net Yield	2.00%	2.30%
Portfolio Value	£251m	£236m

** Annual standard deviation of monthly returns expressed as a percentage*

Top 15 Holdings 30 September 2016

UK Treasury Gilt 2% 22/07/2020	3.0%
Goldman Sachs Group 7.25% 10/04/2028	2.9%
SSE 3.875% perpetual	2.4%
UK Treasury Gilt 4.75% 07/03/2020	2.3%
UK Treasury Gilt 4.5% 07/03/2019	2.2%
Barclays Bank 10% 21/05/2021	2.1%
Standard Chartered 5.125% 06/06/2034	2.0%
Heathrow Funding 6% 20/03/2020	1.9%
JPMorgan Chase 0.82875% 30/05/2017	1.7%
UK Treasury Gilt 5% 07/03/2018	1.7%
Citigroup 5.15% 21/05/2026	1.6%
Vodafone Group 8.125% 26/11/2018	1.6%
Coventry Building Society 0.67875% 17/03/2020	1.5%
International Public Partnerships	1.4%
Australia & New Zealand Banking Group 0.88563% 11/02/2019	1.4%

Our response to current conditions is to maintain a high proportion in floating rate and short-dated investments. 28% of the portfolio is invested in high quality floating rate notes, where the interest rate paid rises and falls with prevailing rates, protecting the capital invested. A further 29% of the portfolio is invested in short-dated bonds, which mature over the course of the next five years. This, again, reduces capital volatility and will, hopefully, release capital at a better time.

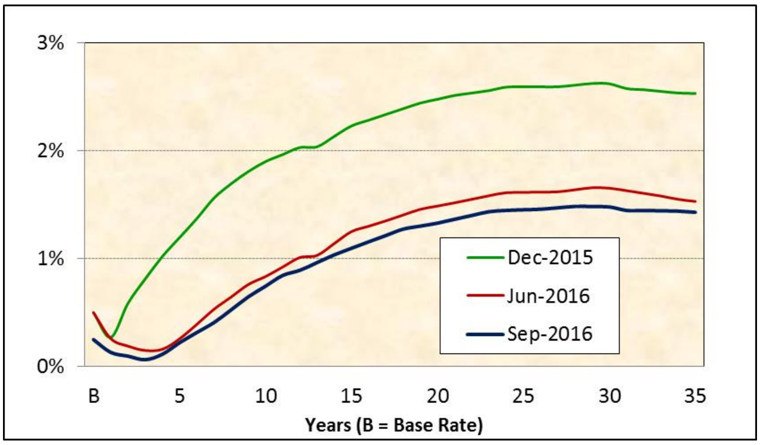
The portfolio’s top fifteen holdings are dominated by short dated gilts, used as a cash alternative following strong fund inflows. The Goldman Sachs Group 7.25% 10/04/2028 was bought during the latest quarter, following its wide trading to the rest of the yield curve.

Investment Adviser's report (continued)

Investment strategy and outlook

On 4 August, the Bank of England's Monetary Policy Committee (MPC) followed-on from Governor Carney's gloomy utterances at the beginning of July and cut the Bank Base Rate to one quarter of one per cent. At the same time, they increased the quantitative easing (QE) programme by £70bn. Our chart of UK interest rates below shows that the Bank had succeeded in pushing rates lower for all maturities:

UK (Government) Interest Rates - (The Yield Curve)



Source: Church House Investments Limited

Suddenly the 'I' word is everywhere you look. It has taken a remarkable length of time for some people to wake up to the fact that we could be facing the reality of a dose of inflation. One would have thought that the steep fall in sterling would have pushed it into investors' minds before now. It seems to have taken another leg down in sterling and another media blitzed 'flash crass', sorry, 'flash crash' (otherwise known as thin markets, although the effect was extreme) to shake a little of the complacency, which is palpably out there, regarding inflation. Low inflation expectations have become so universally entrenched that it will only take a modest tick-up in headline rates for people to sit up and notice. This also helps to explain why, after eight years of zero interest rate policy, investors have forgotten that the trigger, and maybe the necessity, for Central Bank tightening does not necessarily have to be from a position of strength, i.e., hiking to combat elevated/more normal levels of growth, but could instead be for more unfriendly reasons, such as defending a debased currency in the face of uncontrolled inflation (potentially leading to the dreaded 'stagflation'). As mentioned before, extreme loose monetary policy was enacted to deal with an emergency, but this emergency is over. We know we are now looking at reduced levels of growth (not least a potentially self-inflicted one in the UK) and the way to tackle this has surely moved on from endless QE (QE Infinity anyone?) and negative rates, which we have seen do more harm than good. Fiscal measures have to be explored even if they result in roads to nowhere.

As the Bank cranked-up its renewed programme of QE, its August announcements look now to be even more ill-conceived, ill-judged and ill timed. Cutting rates by 0.25% has a negligible effect and a mooted further 0.15% would achieve nothing. Buying gilts when yields are already on their knees seems pointless. Buying corporate bonds now, in a functioning market when spreads were already narrow enough, even before tightening in anticipation of the bond buying scheme, seems pointless too.

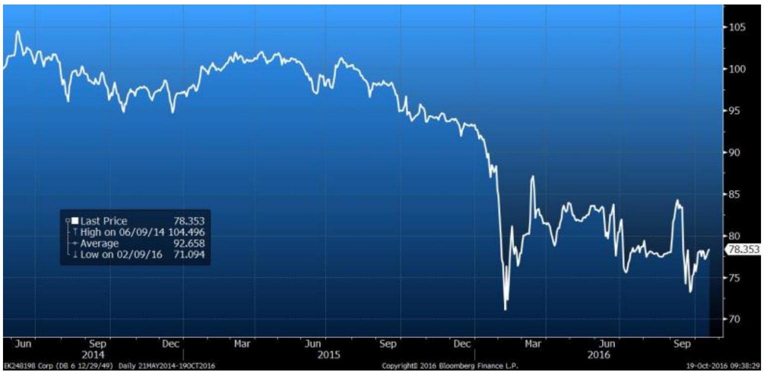
The last time the Asset Purchase Facility bought corporate bonds was when the market was not functioning properly; why not keep this up the Bank's sleeve for when it might be needed, rather than buying bonds from foreign corporates? The list of bonds eligible for purchase by our Central Bank include: Apple, AT&T, Amgen, Daimler, EDF, EoN, McDonalds, Moeller Maersk, Pepsi... you get the picture. These companies might issue bonds in sterling but they are not UK companies and we remain baffled as to why they are included on the list. Indeed, none of the names on the list have had any trouble issuing into the market at advantageous borrowing terms (which the scheme aims to lower) to them, rather than the investor. Whatever the validity of the scheme, the Bank had no trouble buying stock; they bought over £1bn in the first two operations, around three times the level expected.

Investment Adviser's report (continued)

Investment strategy and outlook (continued)

The second Deutsche Bank scare of the year unsettled financials although the effect was more contained than in February. The most marked effect was in the Additional Tier 1 segment of Bank Capital, we do not invest here. To give an idea of the volatility in this sector, look at this chart of a Deutsche AT1 note since issue:

Deutsche Bank 6% Fix-Variable Jr Subordinated Bond



Source: Bloomberg

We wait to see what the final size of the Department of Justice (DoJ's) fine will be but, whatever the size, the ability of European Banking institutions to generate profits remains severely limited. Look at the US banks recent strong numbers for a stark comparison.

We have also seen a recent trend for companies to tender for existing higher coupon bonds to replace them with much cheaper new issuance. Completely understandable and the recent tender by widely held issuer National Grid was on generous terms. However, the tender included a popular index linked bond, due to be replaced in their new issuance, which was then dropped to widespread dismay.

Regarding Brexit, observations are that, as recent economic numbers have been steady, complacency seems to have increased even more regarding any long-term effects, yet we haven't even started the process. In particular, the attitude towards the financial sector of our economy potentially losing a large swathe of employment to other European Centres seems arrogant and misplaced. Fears of a 'hard' Brexit (it doesn't appear that the EU thinks there is any other type) aided the fall in sterling and gilts followed suit with ten-year yields more than doubling from their August lows. Credit spreads widened in a fairly orderly fashion, before we give the Bank too much credit for this, bear in mind that the market was perfectly orderly before they started.

Church House Investments Limited
October 2016

Risk and reward profile

The Risk and Reward profile relates to both 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.

There is a risk that bond issuers may fail to meet repayments. This is usually a greater risk for bonds that produce a higher level of income. Changes in interest rates, inflation and the creditworthiness of the bond issuer may also affect the bond's market value.

The Fund is entitled to use derivative instruments for efficient portfolio management. Derivatives may not achieve their intended purpose. Their prices may move up or down significantly over relatively short periods of time which may result in losses greater than the amount paid. This could adversely impact the value of the Fund.

The organisation from which the Fund buys a derivative may fail to carry out its obligations, which could also cause losses to the Fund.

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.

There have been no changes to the risk and reward indicator in the period.

Fund information

Distributions and reporting dates

Where net revenue is available it will be distributed/allocated quarterly on 31 May (final), 31 August (quarter 1), 30 November (interim) and the last day in February (quarter 3). In the event of a distribution, unitholders will receive a tax voucher.

XD dates:	1 April	final
	1 July	quarter 1
	1 October	interim
	1 January	quarter 3
Reporting dates:	31 March	annual
	30 September	interim

Unitholders will receive a short report within four months of the annual reporting date and within two months of the interim reporting date.

Buying and selling units

The property of the Fund is valued at 12 noon on every business day, and prices 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 minimum initial investment in the Fund 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.

Prices of units and the estimated yield of the Fund are published on the following website: www.fundlistings.com or may be obtained from the Manager by calling 0141 222 1150.

Management charges

The Manager is permitted to include a preliminary charge in the price of the units. The preliminary charge is 5%.

The annual management charge is 1.25% on the first £25 million of funds under management and 0.75% thereafter. The Manager's periodic charge is 0.15% on the first £100 million of funds under management, 0.125% from £100 million to £150 million, 0.10% from £150 million to £200 million and 0.08% on the balance. The surplus is paid on to the Investment Adviser by the Manager.

Performance information

Number of units in issue	30.09.16	31.03.16	31.03.15	31.03.14
Income units	200,231,086	188,628,378	145,383,891	98,374,134
Accumulation units	10,356,588	9,227,310	9,130,765	8,427,482

Net Asset Value (NAV)	£	£	£	£
Total NAV of the Fund	250,273,487	226,160,476	181,773,911	120,837,447
NAV attributable to income unitholders	233,295,592	211,730,012	167,436,371	108,506,670
NAV attributable to accumulation unitholders	16,977,895	14,430,464	14,337,540	12,330,777

Net asset value per unit (based on bid value) ^	p	p	p	p
Income units	116.5	112.2	115.2	110.3
Accumulation units	163.9	156.4	157.0	146.3

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

Highest and lowest prices and distributions

Financial year to 31 March		Distribution per unit p	Highest offer price p	Lowest bid price p
2014	Income units	3.170	122.9	108.9
2014	Accumulation units	4.140	158.8	141.4
2015	Income units	2.840	122.6	110.4
2015	Accumulation units	3.817	166.3	146.8
2016	Income units	2.445	121.7	110.6
2016	Accumulation units	3.359	165.9	153.4
Financial period to 30 September 2016	Income units	1.139	124.3	112.1
Financial period to 30 September 2016	Accumulation units	1.590	174.1	155.5

Summary of the distributions in the current period and prior year

Income units

Payment date	p	Payment date	p
31.08.16	0.566	31.08.15	0.652
30.11.16	0.573	30.11.15	0.606
		29.02.16	0.618
		31.05.16	0.569

Accumulation units

Allocation date	p	Allocation date	p
31.08.16	0.788	31.08.15	0.888
30.11.16	0.802	30.11.15	0.831
		29.02.16	0.852
		31.05.16	0.788

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 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.

	30.09.16^	31.03.16
Annual management charge	0.77%	0.79%
Other expenses	0.04%	0.05%
Ongoing charges figure	0.81%	0.84%

^ Annualised based on the expenses incurred during the period 1 April 2016 to 30 September 2016.

Please note the ongoing charges figure is indicative of the charges which the Fund 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 30.09.16	Percentage of the total net assets as at 31.03.16
Debt securities denominated in UK sterling: *		
AAA to AA	35.52%	37.16%
AA- to A+	8.19%	6.47%
A to A-	24.06%	20.24%
BBB+ to BBB	15.45%	17.09%
BBB- and below	11.34%	11.34%
Total debt securities	94.56%	92.30%
Equities:		
United Kingdom	4.95%	4.92%
Total equities	4.95%	4.92%
Other net assets	0.49%	2.78%
Total net assets	100.00%	100.00%

* Grouped by credit rating and sourced from Interactive Data and Bloomberg.

Major ten holdings at the end of the current period

Holding	Percentage of the total net assets as at 30.09.16
UK Treasury Gilt 2% 22/07/2020	2.99%
Goldman Sachs Group 7.25% 10/04/2028	2.89%
SSE 3.875% perpetual	2.41%
UK Treasury Gilt 4.75% 07/03/2020	2.32%
UK Treasury Gilt 4.5% 07/03/2019	2.21%
Barclays Bank 10% 21/05/2021	2.06%
Standard Chartered 5.125% 06/06/2034	1.96%
Heathrow Funding 6% 20/03/2020	1.94%
JPMorgan Chase 0.82875% 30/05/2017	1.74%
UK Treasury Gilt 5% 07/03/2018	1.71%

Major ten holdings at the end of the previous year

Holding	Percentage of the total net assets as at 31.03.16
UK Treasury Gilt 4.75% 07/03/2020	3.08%
UK Treasury Gilt 4.5% 07/03/2019	2.47%
UK Treasury Gilt 5% 07/03/2018	2.47%
Heathrow Funding 6% 20/03/2020	2.10%
BG Energy Capital 6.5% 30/11/2072	2.02%
JPMorgan Chase 1.07094% 30/05/2017	1.90%
Scottish Widows 5.5% 16/06/2023	1.80%
Vodafone Group 8.125% 26/11/2018	1.80%
UK Treasury 4% 07/09/2016	1.80%
SSE 3.875% perpetual	1.70%

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

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.

Auditor
KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG