

SVS Church House Investment Grade Fixed Interest Fund

Annual Long Report

for the year ended 31 March 2017

## Contents

	Page
Report of the Manager	2
Statement of the Manager's responsibilities	4
Report of the Trustee to the unitholders of SVS Church House Investment Grade Fixed Interest Fund	5
Independent Auditor's report to the unitholders of SVS Church House Investment Grade Fixed Interest Fund	6
Accounting policies of SVS Church House Investment Grade Fixed Interest Fund	7
Investment Adviser's report	10
Portfolio statement	12
Risk and reward profile	16
Comparative table	17
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	36

## SVS Church House Investment Grade Fixed Interest 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 Investment Grade Fixed Interest Fund for the year ended 31 March 2017.

SVS Church House Investment Grade Fixed Interest Fund (“the Trust” or “the Fund”) is an authorised unit trust scheme further to an authorisation order dated 1 December 2000 and is a UCITS scheme complying with the investment and borrowing powers rules in the Collective Investment Schemes sourcebook (“COLL”), as issued and amended 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 the 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 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.

### Remuneration

In accordance with COLL4.5.7R(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. COLL4.5.7AG 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

There were no fundamental or significant changes to 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.

## Report of the Manager (continued)

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.

G. Murphy

Directors

Smith & Williamson Fund Administration Limited

30 June 2017

P. Maher

## 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 the 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 the SVS Church House Investment Grade Fixed Interest 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 the 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 Fund documents in relation to the investment and borrowing powers applicable to the Fund.

### Report of the Trustee to the unitholders of the SVS Church House Investment Grade Fixed Interest 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 Investment Grade Fixed Interest Fund ("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 7 to 9. 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 and Williamson Fund Administration Limited and Auditor

As explained more fully in the Statement of Manager's responsibilities set out on page 4 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 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.

Philip Merchant  
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 Investment Grade Fixed Interest 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.

Collective investment schemes are valued at the bid price for dual priced funds and at the single price for single priced funds.

Structured products are valued at fair value and calculated by an independent source.

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.

Distributions from collective investment schemes are recognised as revenue on the date the securities are quoted ex-dividend. Equalisation on distributions from collective investment schemes is deducted from the cost of the investment and does not form part of the Fund's distribution.

Distributions from collective investment schemes which are re-invested on behalf of the Fund are recognised as revenue on the date the securities are quoted ex-dividend and form part of the Fund's distribution.

Distributions from reporting offshore funds are recognised as revenue when the reported distribution rate is available and forms part of the Fund's distribution.

Special dividends are treated as either revenue or a repayment of capital depending on the facts of each particular case.

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

Accounting policies of SVS Church House Investment Grade Fixed Interest Fund (continued)  
for the year ended 31 March 2017

*d Revenue (continued)*

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.

*f 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.

*g 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.

*h 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 Fund 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.

Accounting policies of SVS Church House Investment Grade Fixed Interest Fund (continued)  
*for the year ended 31 March 2017*

*h Distribution policies (continued)*

*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.

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

Investment performance (source: Bloomberg)

Capital performance* over:	1 year to 31.03.2017	3 years to 31.03.2017	5 years to 31.03.2017
SVS Church House Investment Grade Fixed Interest Fund	3.20%	4.80%	9.20%

\* Percentage change in bid price of income units

### Investment activities

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 portfolio's stance is still at the cautious end of the spectrum, the key statistics are shown below:

SVS Church House Investment Grade Fixed Interest Fund	March 2017
Short-dated Securities (less than 5 years)	59%
Medium-dated Securities (5 to 15 years)	34%
Long-dated Securities (over 15 years)	7%
Duration of Portfolio	3.5
Volatility* (past year)	3.70%
Number of Holdings	113
Portfolio Value	£256m

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

The Fund's portfolio is well diversified in the asset class. Here are the top fifteen holdings by value at the end of March.

Top 15 Holdings 31 March 2017	
SSE 3.875% perpetual	2.79%
Goldman Sachs Group 7.25% 10/04/2028	2.77%
Heathrow Funding 6% 20/03/2020	2.22%
Barclays Bank 10% 21/05/2021	2.01%
Royal Bank of Canada CMS Linked Reverse Convertible Notes 29/11/2017	1.93%
JPMorgan Chase 0.81669% 30/05/2017	1.70%
Standard Chartered 5.125% 06/06/2034	1.58%
ING Bank 0.75369% 27/11/2017	1.57%
Citigroup 5.15% 21/05/2026	1.56%
Aviva 4.375% 12/09/2049	1.52%
Scottish Widows 5.5% 16/06/2023	1.50%
UK Treasury Gilt 4.5% 07/03/2019	1.48%
Coventry Building Society 0.64438% 17/03/2020	1.47%
Vodafone Group 5.375% 05/12/2017	1.41%
Australia & New Zealand Banking Group 0.86206% 11/02/2019	1.38%

The top holdings in the portfolio reflect the quieter period. The SSE 3.875% bonds move to the top of the list after we added to this position at the end of February. We also added to the holdings in the Heathrow (BAA) Funding 6% 2020 bonds and the Aviva 4.375% 2029 bonds, hence their higher positions in the list.

Overall, the portfolio still has a short-dated profile, with a significant investment in floating rate and hedged investments in anticipation of higher interest rates in due course.

## Investment Adviser's report (continued)

### Investment strategy and outlook

Wherever markets look, they find plenty to worry about on the political front, leading to a recent 'risk off' period. President Trump has certainly discovered that fake politics is no substitute for experience and he is finding out the hard way that attempting to force through divisive legislation is not easy.

As the new President comes up against a legislative system that does appear to be effective in moderating implementation of some of his more 'cavalier' policies, maybe we should take heart rather than talk about the unwinding of 'the Trump trade'. If the result is a filtering out of noise, allowing focus on his stimulatory plans, some of which he will be able to enact, and it leads to furthering of the US recovery without Central Bank assistance, this must be positive (his meeting with President Xi proves he is capable of not blundering straight into a trade war).

In the UK, we had higher inflation numbers, with the Consumer Price Index reaching an annual rate of 2.3%. This provided an opportunity for some economists to repeat that all we need to do is look through the numbers and everything will be OK. Governor Carney's response to the figures was that it was "a single data point, never overreact", arguably, precisely what he did last summer after the Brexit vote.

The Bank has nearly completed its £10bn Asset Purchase Programme of corporate bonds. What this programme has achieved is hard to quantify, I fear it is very little as some of the bonds the Bank now owns are from foreign issuers. We worry that they have used up an unnecessary weapon in the arsenal.

Having enacted Article 50, the reality of Brexit will slowly begin to unfold and, whilst it remains to be seen what this consists of, it is still unlikely that the divorce will be made easy for the UK. It was interesting to see Prime Minister May moderate her stance on immigration quite quickly. Assuming that the odd agreement can be put in place within the two-year time period (only 101 weeks left by the time you read this), and the one-off reflationary impact from the devaluation of Sterling continues to feed through, with some positive rebalancing effects on parts of our economy, the long-term outcome might be more of a Socio-Political nature rather than an economic one.

After a busy January and February, March was a little slower in secondary markets but the primary issuance market still saw plenty of activity; US dollar issuance was a touch quieter than the pre-hike rush. Sterling bonds saw some issuance, although not all of it was rapturously received, notably a twelve-year issue from Deutsche Telekom, which was hard to get away, despite the name being on the Bank's Magic Roundabout shopping list.

Church House Investments Limited

28 April 2017

## Portfolio statement

as at 31 March 2017

Investment	Nominal value or holding	Market value £	% of total net assets
Debt securities 89.52% (92.30%)			
AAA to AA* 30.48% (37.16%)			
Australia & New Zealand Banking Group 0.86206% 11/02/2019**	£3,500,000	3,520,755	1.38
Bank of Scotland 4.875% 20/12/2024	£1,500,000	1,864,990	0.73
Barclays Bank 0.55206% 12/02/2018**	£2,100,000	2,097,186	0.82
Canadian Imperial Bank of Commerce 0.79138% 10/01/2022**	£3,500,000	3,508,190	1.37
Canadian Imperial Bank of Commerce 0.86375% 11/03/2019**	£2,000,000	2,013,480	0.79
Clydesdale Bank 4.625% 08/06/2026	£1,250,000	1,543,588	0.60
Commonwealth Bank of Australia 0.66338% 24/01/2018**	£2,115,000	2,117,749	0.83
Coventry Building Society 0.64438% 17/03/2020**	£3,750,000	3,753,788	1.47
European Investment Bank 0.55588% 21/05/2021**	£2,000,000	2,011,640	0.79
European Investment Bank 0.60663% 16/04/2019**	£1,920,000	1,928,160	0.75
European Investment Bank 0.60838% 17/02/2020**	£2,000,000	2,005,520	0.78
European Investment Bank 8.75% 25/08/2017	£2,600,000	2,685,514	1.05
Kreditanstalt fuer Wiederaufbau 5.625% 25/08/2017	£1,650,000	1,683,957	0.66
Leeds Building Society 0.63113% 09/02/2018**	£2,250,000	2,252,880	0.88
Leeds Building Society 4.25% 17/12/2018	£500,000	530,372	0.21
Lloyds Bank 0.54525% 19/01/2018**	£2,000,000	2,000,880	0.78
Lloyds Bank 0.6565% 18/07/2019**	£1,000,000	1,002,500	0.39
Lloyds Bank 0.65663% 16/01/2020**	£3,000,000	3,003,330	1.18
Lloyds Bank 0.72663% 14/01/2019**	£2,000,000	2,007,100	0.79
Lloyds Bank 5.125% 07/03/2025	£2,500,000	3,163,025	1.24
Lloyds Bank 6% 08/02/2029	£500,000	714,534	0.28
Nationwide Building Society 0.55663% 17/07/2017**	£3,480,000	3,480,800	1.36
Nationwide Building Society 0.55713% 27/04/2018**	£2,000,000	2,001,660	0.78
Nationwide Building Society 0.84463% 25/04/2019**	£2,744,000	2,760,299	1.08
Royal Bank of Canada 0.63963% 20/07/2018**	£2,400,000	2,404,656	0.94
Royal Bank of Scotland 5.125% 13/01/2024	£1,500,000	1,859,145	0.73
Santander UK 0.5765% 29/05/2018**	£2,000,000	2,001,600	0.78
Santander UK 5.125% 14/04/2021	£1,000,000	1,165,447	0.46
Skandinaviska Enskilda Banken 0.75588% 19/11/2018**	£2,000,000	2,008,780	0.79
Stadshypotek 0.63838% 17/08/2018**	£2,000,000	2,004,140	0.78
Swedbank Hypotek 0.73713% 29/10/2018**	£2,000,000	2,007,520	0.79
Toronto-Dominion Bank 0.83588% 01/02/2019**	£2,000,000	2,010,920	0.79
UK Treasury Gilt 4.75% 07/03/2020	£2,000,000	2,268,600	0.89
UK Treasury Gilt 4.5% 07/03/2019	£3,500,000	3,796,100	1.48
UK Treasury Gilt 2% 22/07/2020	£2,000,000	2,116,400	0.83
Wellcome Trust Finance 4.75% 28/05/2021	£500,000	582,440	0.23
		<u>77,877,645</u>	<u>30.48</u>

## Portfolio statement (continued)

as at 31 March 2017

Investment	Nominal value or holding	Market value £	% of total net assets
Debt securities (continued)			
AA- to AA+* 6.22% (6.47%)			
ABN AMRO Bank 0.8565% 30/11/2018 Tranche 1**	£2,500,000	2,503,750	0.98
ABN AMRO Bank 0.8565% 30/11/2018 Tranche 2**	£1,000,000	1,001,670	0.39
BG Energy Capital 5.125% 01/12/2025	£750,000	943,812	0.37
Close Brothers Finance 2.75% 19/10/2026	£3,400,000	3,502,204	1.37
Close Brothers Finance 3.875% 27/06/2021	£2,000,000	2,186,280	0.85
GE Capital UK Funding Unlimited 4.125% 13/09/2023	£1,506,000	1,758,064	0.69
ING Bank 0.75369% 27/11/2017**	£4,000,000	4,003,280	1.57
		<u>15,899,060</u>	<u>6.22</u>
A to A-* 16.83% (20.24%)			
Barclays Bank 2% 13/05/2020**	£1,350,000	1,343,250	0.53
BUPA Finance 2% 05/04/2024	£1,000,000	994,110	0.39
BUPA Finance 6.125% perpetual**	£500,000	551,934	0.22
Close Brothers Group 4.25% 24/01/2027	£1,835,000	1,902,510	0.74
Commonwealth Bank of Australia 1.06463% 26/10/2018**	£2,000,000	2,011,500	0.79
Danske Bank 0.83744% 04/10/2018**	£1,000,000	1,002,470	0.39
Goldman Sachs Group 7.25% 10/04/2028	£5,000,000	7,090,595	2.77
Heathrow Funding 5.225% 15/02/2023	£500,000	594,228	0.23
Heathrow Funding 6.75% 03/12/2026	£1,500,000	2,068,527	0.81
HSBC Bank 5% 20/03/2023**	£1,792,000	1,850,950	0.72
HSBC Holdings 5.75% 20/12/2027	£1,599,000	1,913,897	0.75
National Grid Gas Finance 1.125% 22/09/2021	£230,000	229,788	0.09
National Grid Gas Finance 2.125% 22/09/2028	£2,500,000	2,457,175	0.96
Rio Tinto Finance 4% 11/12/2029	£2,000,000	2,352,264	0.92
Royal Bank of Canada 0.75619% 04/06/2019**	£2,000,000	2,000,480	0.78
Royal Bank of Canada 1.06888% 09/10/2018**	£2,000,000	2,013,560	0.79
SSE 8.375% 20/11/2028	£250,000	401,495	0.16
Standard Chartered 5.125% 06/06/2034	£4,000,000	4,028,872	1.58
Thames Water Utilities Cayman Finance 4% 19/06/2025	£1,500,000	1,747,921	0.68
Total Capital International 0.63931% 01/07/2019**	£3,050,000	3,045,181	1.19
Wessex Water Services Finance 4% 24/09/2021	£450,000	504,721	0.20
Westpac Banking 0.7065% 28/11/2017**	£1,500,000	1,500,915	0.59
Westpac Securities 0.79931% 02/10/2017**	£1,400,000	1,401,708	0.55
		<u>43,008,051</u>	<u>16.83</u>

## Portfolio statement (continued)

as at 31 March 2017

Investment	Nominal value or holding	Market value £	% of total net assets
Debt securities (continued)			
BBB+ to BBB* 24.92% (17.09%)			
Amgen 4% 13/09/2029	£1,000,000	1,137,041	0.44
AP Moller - Maersk 4% 04/04/2025	£3,011,000	3,202,265	1.25
Aviva 4.375% 12/09/2049**	£4,000,000	3,893,901	1.52
Aviva 5.125% 04/06/2050**	£2,000,000	2,044,238	0.80
Aviva 6.125% perpetual**	£1,500,000	1,633,891	0.64
Aviva 6.625% 03/06/2041**	£500,000	564,985	0.22
Bank of America 7% 31/07/2028	£2,250,000	3,180,019	1.24
Barclays 3.125% 17/01/2024	£2,000,000	2,051,380	0.80
Citigroup 5.15% 21/05/2026	£3,250,000	3,979,888	1.56
Digital Stout Holding 4.75% 13/10/2023	£2,000,000	2,243,950	0.88
Eastern Power Networks 4.75% 30/09/2021	£1,500,000	1,729,429	0.68
Fidelity International 7.125% 13/02/2024	£2,000,000	2,539,688	0.99
Hammerson 3.5% 27/10/2025	£2,000,000	2,159,998	0.85
Heathrow Funding 6% 20/03/2020	£5,000,000	5,669,135	2.22
JPMorgan Chase 0.81669% 30/05/2017**	£4,350,000	4,349,956	1.70
Legal & General Group 10% 23/07/2041**	£2,000,000	2,623,440	1.03
London Power Networks 5.125% 31/03/2023	£500,000	597,885	0.23
Scotland Gas Networks 3.25% 08/03/2027	£1,350,000	1,474,173	0.58
Scottish Widows 5.5% 16/06/2023	£3,500,000	3,821,097	1.50
SSE 3.875% perpetual**	£7,000,000	7,122,395	2.79
Vodafone Group 5.375% 05/12/2017	£3,500,000	3,608,290	1.41
Western Power Distribution West Midlands 6% 09/05/2025**	£500,000	653,277	0.26
Yorkshire Building Society 3.5% 21/04/2026	£3,000,000	3,199,320	1.25
Yorkshire Water Services Bradford Finance 6% 24/04/2025**	£211,000	211,568	0.08
		<u>63,691,209</u>	<u>24.92</u>
BBB- and below* 11.07% (11.34%)			
Barclays Bank 10% 21/05/2021	£4,000,000	5,138,756	2.01
Barclays Bank 3.25% 19/07/2017**	£250,000	250,625	0.10
Centrica 5.25% 10/04/2075**	£3,013,000	3,221,942	1.26
Goldman Sachs Group 2.1% 08/09/2021**	£2,000,000	2,054,200	0.80
J Sainsbury 6.5% perpetual**	£2,000,000	2,165,000	0.85
John Lewis 6.125% 21/01/2025	£1,400,000	1,733,718	0.68
John Lewis 8.375% 08/04/2019	£2,450,000	2,782,146	1.09
Liverpool Victoria Friendly Society 6.5% 22/05/2043**	£1,500,000	1,503,320	0.59
Lloyds Bank 1.75% 19/06/2020**	£1,300,000	1,301,508	0.51
National Express Group 2.5% 11/11/2023	£1,400,000	1,427,608	0.56
Northumbrian Water Finance 6.875% 06/02/2023	£2,000,000	2,584,572	1.01
Orange 5.875% perpetual**	£1,500,000	1,628,438	0.64
Rothsay Life 8% 30/10/2025	£2,000,000	2,129,120	0.83
Temple Bar Investment Trust 9.875% 31/12/2017	£100,000	105,500	0.04
Thames Water Utilities Cayman Finance 5.375% 21/07/2025**	£250,000	253,035	0.10
		<u>28,279,488</u>	<u>11.07</u>

## Portfolio statement (continued)

as at 31 March 2017

	Nominal value or holding	Market value £	% of total net assets
Investment			
Debt securities (continued)			
Default 0.00% (0.00%)			
Cattles 6.875% 17/01/2014***	£250,000	-	-
Total debt securities		<u>228,755,453</u>	<u>89.52</u>
Equities 4.13% (4.92%)			
Equities - incorporated outwith the United Kingdom			
GCP Infrastructure Investments	2,600,630	3,349,611	1.31
HICL Infrastructure	2,080,588	3,516,194	1.38
International Public Partnerships	1,500,000	2,340,000	0.92
John Laing Infrastructure Fund	1,000,000	1,339,000	0.52
Total equities - incorporated outwith the United Kingdom		<u>10,544,805</u>	<u>4.13</u>
Offshore Collective Investment Schemes 0.80% (0.00%)			
Boost Gilts 10Y 3x Short Daily	40,000	2,032,400	0.80
Structured product 3.86% (0.00%)			
Goldman Sachs International 1 Year GBP 4.25 Reverse Convertible Notes on the 10 Year GBP Swap Rate	£2,000,000	1,944,972	0.76
JP Morgan 1-Year GBP Interest Rate Linked Note	£3,000,000	3,000,000	1.17
Royal Bank of Canada CMS Linked Reverse Convertible Notes 29/11/2017	£5,000,000	4,918,893	1.93
Total structured product		<u>9,863,865</u>	<u>3.86</u>
Portfolio of investments		<u>251,196,523</u>	<u>98.31</u>
Other net assets		4,327,174	1.69
Total net assets		<u>255,523,697</u>	<u>100.00</u>

All investments are listed on recognised stock exchanges and are approved securities or regulated collective investments schemes 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 security.

\*\*\* Cattles 6.785% 17/01/2014 is valued at zero as it is in default.

## 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.

Where the Fund invests in bonds, there is a risk the bond issuer may fail to meet its 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 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.

Income units launched on 1 December 2000 at 100.0p per unit

Accumulation units launched on 1 December 2000 at 100.0p per unit

	Income			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	112.25	115.17	110.30	156.39	157.02	146.32
Return before operating charges	7.11	1.18	9.52	9.94	1.65	13.15
Operating charges	(1.03)	(1.04)	(1.10)	(1.46)	(1.44)	(1.50)
Return after operating charges	6.08	0.14	8.42	8.48	0.21	11.65
Distributions <sup>^</sup>	(2.73)	(3.06)	(3.55)	(3.82)	(4.20)	(4.77)
Retained distributions on accumulation units <sup>^</sup>	-	-	-	3.25	3.36	3.82
Closing net asset value per unit	115.60	112.25	115.17	164.30	156.39	157.02
Performance						
Return after charges	5.42%	0.12%	7.63%	5.42%	0.13%	7.96%
Other information						
Closing net asset value (£)	237,631,778	211,730,012	167,436,371	17,891,919	14,430,464	14,337,540
Closing number of units	205,568,508	188,628,378	145,383,891	10,889,848	9,227,310	9,130,765
Operating charges	0.84%	0.84%	0.86%	0.84%	0.84%	0.86%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Prices						
Highest offer price	124.3	121.7	122.6	174.1	165.9	166.3
Lowest bid price	112.1	110.6	110.4	155.5	153.4	146.8

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

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

† Comparative figures differ from previous published accounts as the distributions above are quoted gross, previously the net distribution rates were disclosed.

## 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.

	31.03.17	31.03.16
Annual management charge	0.80%	0.79%
Other expenses	0.04%	0.05%
Ongoing charges figure	<u>0.84%</u>	<u>0.84%</u>

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.

## Financial statements - SVS Church House Investment Grade Fixed Interest Fund

### Statement of total return

for the year ended 31 March 2017

	Notes	2017		2016	
		£	£	£	£
Income:					
Net capital gains / (losses)	2		7,789,574		(4,095,527)
Revenue	3	6,831,275		6,269,449	
Expenses	4	<u>(2,056,031)</u>		<u>(1,718,420)</u>	
Net revenue before taxation		4,775,244		4,551,029	
Taxation	5	<u>-</u>		<u>-</u>	
Net revenue after taxation			<u>4,775,244</u>		<u>4,551,029</u>
Total return before distributions			12,564,818		455,502
Distributions	6		(5,802,417)		(5,408,746)
Change in net assets attributable to unitholders from investment activities			<u>6,762,401</u>		<u>(4,953,244)</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			226,160,476		181,773,911
Amounts receivable on issue of units		36,140,721		52,747,549	
Amounts payable on cancellation of units		<u>(13,881,309)</u>		<u>(3,723,221)</u>	
			22,259,412		49,024,328
Stamp duty reserve tax			2,323		-
Change in net assets attributable to unitholders from investment activities			6,762,401		(4,953,244)
Retained distributions on accumulation units			338,299		315,481
Unclaimed distributions			786		-
Closing net assets attributable to unitholders			<u>255,523,697</u>		<u>226,160,476</u>

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

	Notes	2017 £	2016 £
<b>Assets:</b>			
<b>Fixed assets:</b>			
Investments		251,196,523	219,870,514
<b>Current assets:</b>			
Debtors	7	4,757,449	6,369,927
Cash and bank balances	8	5,340,217	4,982,231
<b>Total assets</b>		<u>261,294,189</u>	<u>231,222,672</u>
<b>Liabilities:</b>			
<b>Creditors:</b>			
Distribution payable	6	(1,371,142)	(1,073,295)
Other creditors	9	(4,399,350)	(3,988,901)
<b>Total liabilities</b>		<u>(5,770,492)</u>	<u>(5,062,196)</u>
<b>Net assets attributable to unitholders</b>		<u>255,523,697</u>	<u>226,160,476</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 / (losses)	1,866,984	(67,912)
Non-derivative securities - movement in unrealised gains / (losses)	6,042,067	(4,026,556)
Derivative contracts - movement in unrealised losses	(118,218)	-
Transaction charges	(1,259)	(1,059)
Total net capital gains / (losses)	<u>7,789,574</u>	<u>(4,095,527)</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 (loss)/gain is included in unrealised (losses)/gains.

3. Revenue	2017	2016
	£	£
Franked revenue	-	564,143
Overseas revenue	579,395	-
Interest on debt securities	6,251,880	5,703,992
Bank and deposit interest	-	1,314
Total revenue	<u>6,831,275</u>	<u>6,269,449</u>

4. Expenses	2017	2016
	£	£
Payable to the Manager and associates		
Annual management charge	276,683	261,802
Investment management fees	1,679,843	1,361,662
Registration fees	1,798	1,770
	<u>1,958,324</u>	<u>1,625,234</u>
Payable to the Trustee		
Trustee fees	66,102	61,634
Safe custody fees	-	16,153
	<u>66,102</u>	<u>77,787</u>
Other expenses:		
Audit fee	7,740	7,920
Safe custody fees	19,769	3,666
Bank interest	3,476	2,559
FCA fee	65	96
KIID production fee	555	558
Legal fee	-	600
	<u>31,605</u>	<u>15,399</u>
Total expenses	<u>2,056,031</u>	<u>1,718,420</u>

Notes to the financial statements (continued)  
for the year ended 31 March 2017

5. Taxation	2017	2016
	£	£
<i>a. Analysis of the tax charge for the year</i>		
Total taxation (note 5b)	<u>-</u>	<u>-</u>
<i>b. Factors affecting the tax charge for the year</i>		
The tax assessed for the year is lower (2016: lower) than the standard rate of UK corporation tax for an authorised collective investment scheme of 20% (2016: 20%). The differences are explained below:		
	2017	2016
	£	£
Net revenue before taxation	<u>4,775,244</u>	<u>4,551,029</u>
Corporation tax @ 20%	955,049	910,206
Effects of:		
Tax deductible interest distributions	(955,228)	(910,283)
Expenses not deductible for tax purposes	-	120
Movement in short term timing differences	<u>179</u>	<u>(43)</u>
Total taxation (note 5a)	<u>-</u>	<u>-</u>

6. Distributions	2017	2016
	£	£
The distributions take account of revenue added on the issue of units and revenue deducted on the cancellation of units, and comprise:		
Quarter 1 income distribution	1,099,182	999,805
Quarter 1 accumulation distribution	76,565	82,954
Interim income distribution	1,147,324	976,347
Interim accumulation distribution	83,060	79,011
Quarter 3 income distribution	1,039,593	1,092,790
Quarter 3 accumulation distribution	76,092	80,805
Final income distribution	1,371,142	1,073,295
Final accumulation distribution	102,582	72,711
Tax payable on interest distributions	<u>866,184</u>	<u>1,081,749</u>
	5,861,724	5,539,467
Equalisation:		
Amounts deducted on cancellation of units	40,747	11,599
Amounts added on issue of units	<u>(100,054)</u>	<u>(142,320)</u>
Total net distributions	<u>5,802,417</u>	<u>5,408,746</u>

## Notes to the financial statements (continued)

for the year ended 31 March 2017

### 6. Distributions (continued)

Reconciliation between net revenue and distributions:	2017	2016
	£	£
Net revenue after taxation per Statement of total return	4,775,244	4,551,029
Undistributed revenue brought forward	1,463	1,250
Expenses paid from capital	1,026,278	857,930
Undistributed revenue carried forward	(568)	(1,463)
Distributions	<u>5,802,417</u>	<u>5,408,746</u>

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

### 7. Debtors

	2017	2016
	£	£
Amounts receivable on issue of units	239,892	2,654,536
Sales awaiting settlement	1,170,513	412,854
Accrued revenue	3,347,044	3,302,537
Total debtors	<u>4,757,449</u>	<u>6,369,927</u>

### 8. Cash and bank balances

	2017	2016
	£	£
Total cash and bank balances	<u>5,340,217</u>	<u>4,982,231</u>

### 9. Other creditors

	2017	2016
	£	£
Amounts payable on cancellation of units	182,936	1,684
Purchases awaiting settlement	3,992,100	3,494,730
Accrued expenses:		
Payable to the Manager and associates		
Registration fees	-	444
Other expenses:		
Safe custody fees	14,868	1,894
Audit fee	7,740	7,920
KIID production fee	139	139
Transaction charges	803	144
	<u>23,550</u>	<u>10,097</u>
Total accrued expenses	<u>23,550</u>	<u>10,541</u>
Income tax payable	200,764	481,946
Total other creditors	<u>4,399,350</u>	<u>3,988,901</u>

### 10. Commitments and contingent liabilities

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

## Notes to the financial statements (continued)

for the year ended 31 March 2017

### 11. Unit classes

The Fund currently has two unit classes; income and accumulation.

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

	Income
Opening units in issue	188,628,378
Total units issued in the year	28,030,254
Total units cancelled in the year	(11,090,124)
Closing units in issue	<u>205,568,508</u>
	Accumulation
Opening units in issue	9,227,310
Total units issued in the year	2,378,678
Total units cancelled in the year	(716,140)
Closing units in issue	<u>10,889,848</u>

The annual management charge is 1.25% on the first £25 million of funds under management and 0.75% thereafter.

From 1 November 2016, the Manager's periodic charge is as follows:

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 was as follows:

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

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.

## Notes to the financial statements (continued)

for the year ended 31 March 2017

### 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 creation 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 parties.

	2017	2016
Church House Investments Ltd	18.15%	18.27%

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
COFUNDS Nominees Ltd	27.51%	31.87%

## Notes to the financial statements (continued)

for the year ended 31 March 2017

### 13. Events after the balance sheet date

Subsequent to the year end, the net asset value per income unit has increased from 115.6p to 117.1p and the accumulation unit has increased from 164.3p to 166.5p as at 22 June 2017. This movement takes into account routine transactions but also reflects the market movements of recent months.

### 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	3,214,662		1,732,063	
Commission	568	0.02%	1,517	0.09%
Taxes	-	-	1	0.00%
Total direct transaction costs - equities	568	0.02%	1,518	0.09%
Equities - purchases after direct transaction costs	3,215,230		1,733,581	
Bonds - purchases*	93,644,318		89,729,209	
Structured products - purchases*	10,000,000		-	
Total purchases after direct transaction costs	106,859,548		91,462,790	
Capital events <sup>^</sup>	126,548		344,531	

<sup>^</sup> The total purchases exclude the 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)

Sales:	2017 £	% of sales by asset class	2016 £	% of sales by asset class
Equities - sales before transaction costs	<u>2,640,770</u>		-	
Commission	(5,288)	0.20%	-	-
Total direct transaction costs - equities	<u>(5,288)</u>	0.20%	-	-
Equities - sales after direct transaction costs	<u>2,635,482</u>		-	
Bonds - sales*	<u>78,977,610</u>		<u>46,741,727</u>	
Total sales after direct transaction costs	<u>81,613,092</u>		<u>46,741,727</u>	
Capital events <sup>^</sup>	<u>15,630</u>		-	

<sup>^</sup> The total sales exclude the capital events as there were no direct transaction costs charged in these transactions.

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

#### 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	5,856	0.00%	1,517	0.00%
Taxes	-	-	1	0.00%

#### 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 0.38% (2016: 0.49%).

## 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 are equities and collective investment schemes 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 unitholders would increase or decrease by approximately £628,860 (2016: £556,979)

#### (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.

Forward currency contracts are used to help the Fund achieve its investment objective as stated in the Prospectus. The Manager monitors the exposure to these contracts to ensure they are in keeping with the investment objective.

The Fund had no significant exposure to foreign currency in the year.

#### (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.

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

## Notes to the financial statements (continued)

for the year ended 31 March 2017

### 15. Risk management policies

#### (iii) Interest rate risk (continued)

At 31 March 2017, if interest rates increased or decreased by 25 basis points, with all other variables remaining constant, then the net assets attributable to the shareholders would increase or decrease by approximately £2,034,701 (2016: £1,766,048).

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	121,950,116	-	115,145,553	24,198,520	(5,770,492)	255,523,697
	<u>121,950,116</u>	<u>-</u>	<u>115,145,553</u>	<u>24,198,520</u>	<u>(5,770,492)</u>	<u>255,523,697</u>

	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	105,582,241	-	108,130,919	17,509,512	(5,062,196)	226,160,476
	<u>105,582,241</u>	<u>-</u>	<u>108,130,919</u>	<u>17,509,512</u>	<u>(5,062,196)</u>	<u>226,160,476</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 debt 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.

## Notes to the financial statements (continued)

for the year ended 31 March 2017

### 15. Risk management policies (continued)

#### c Liquidity risk (continued)

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.

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 2017 £	Investment liabilities 2017 £
Valuation technique		
Quoted prices in active markets	20,758,305	-
Inputs other than quoted prices that are observable	220,574,353	-
Inputs are unobservable and market data is unavailable	9,863,865	-
	<u>251,196,523</u>	<u>-</u>
	Investment assets 2016 £	Investment liabilities 2016 £
Valuation technique		
Quoted prices in active markets	33,332,536	-
Inputs other than quoted prices that are observable	186,537,978	-
Inputs are unobservable and market data is unavailable	-	-
	<u>219,870,514</u>	<u>-</u>

Structured product holdings in the portfolio statement are valued using valuation models where the inputs are unobservable. The ACD engages a third party to provide valuations for these investments.

The following security is valued in the portfolio of investments using a valuation technique:

Cattles 6.875% 17/01/2014: The fair value pricing committee feels that it is appropriate to value the shares at nil value due to the fund being in default.

## Notes to the financial statements (continued)

for the year ended 31 March 2017

### 15. Risk management policies (continued)

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

There are no assets held in the portfolio of investments which are subject to special arrangements arising from their illiquid nature.

#### 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.

In the year the Fund had exposure to derivatives embedded in structured products. On a daily basis, exposure is calculated in UK sterling using the commitment method with netting applied where appropriate. The total global exposure figure is divided by the net asset value of the Fund to calculate the percentage global exposure. Global exposure is a risk mitigation technique that monitors the overall commitment to derivatives in a Fund at any given time and may not exceed 100% of the net asset value of the property of the Fund.

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.

In the year, the Fund held structured products with embedded derivatives. Exposure created by underlying derivatives is monitored by the Manager as well as the rating of the issuer of the structured product. A third party is used to verify the prices of the structured products.

#### (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.

## Notes to the financial statements (continued)

for the year ended 31 March 2017

### 15. Risk management policies (continued)

#### (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 the global exposure is as follows:

	Gross exposure value £	% of the total net asset value
Investment		
Goldman Sachs International 1 Year GBP 4.25 Reverse Convertible Notes on the 10 Year GBP Swap Rate	2,000,000	0.78%
JP Morgan 1-Year GBP Interest Rate Linked Note	3,000,000	1.17%
Royal Bank of Canada CMS Linked Reverse Convertible Notes 29/11/2017	5,000,000	1.96%

There have been no collateral arrangements in the year.

## Distribution table

for the year ended 31 March 2017

### Interest distribution on income units in pence per unit

Payment date	Unit type	Distribution type	Gross revenue	Income tax at 20%	Net interest distribution	Equalisation	Distribution current year	Distribution prior year <sup>^</sup>
31.08.16 <sup>^</sup>	group 1	quarter 1	0.708	0.142	0.566		0.566	0.652
31.08.16 <sup>^</sup>	group 2	quarter 1	0.235	0.047	0.188	0.378	0.566	0.652
30.11.16 <sup>^</sup>	group 1	interim	0.716	0.143	0.573		0.573	0.606
30.11.16 <sup>^</sup>	group 2	interim	0.363	0.073	0.290	0.283	0.573	0.606
28.02.17 <sup>^</sup>	group 1	quarter 3	0.635	0.127	0.508		0.508	0.618
28.02.17 <sup>^</sup>	group 2	quarter 3	0.320	0.064	0.256	0.252	0.508	0.618
31.05.17	group 1	final	0.667	-	0.667		0.667	0.569
31.05.17	group 2	final	0.317	-	0.317	0.350	0.667	0.569

### 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.

<sup>^</sup>Prior year distributions and current years distribution to 31 December 2016 were paid net of income tax. Under the Finance Act 2017 there is no longer a requirement to deduct income tax from interest distributions paying after 6 April 2017.

### Quarter 1 distribution:

- Group 1 Units purchased before 1 April 2016
- Group 2 Units purchased 1 April 2016 to 30 June 2016

### Interim distribution:

- Group 1 Units purchased before 1 July 2016
- Group 2 Units purchased 1 July 2016 to 30 September 2016

### Quarter 3 distribution:

- Group 1 Units purchased before 1 October 2016
- Group 2 Units purchased 1 October 2016 to 31 December 2016

### Final distribution:

- Group 1 Units purchased before 1 January 2017
- Group 2 Units purchased 1 January 2017 to 31 March 2017

## Distribution table (continued)

for the year ended 31 March 2017

### Interest distribution on accumulation units in pence per unit

Allocation date	Unit type	Distribution type	Gross revenue	Income tax at 20%	Net interest distribution	Equalisation	Distribution current year	Distribution prior year <sup>^</sup>
31.08.16 <sup>^</sup>	group 1	quarter 1	0.985	0.197	0.788		0.788	0.888
31.08.16 <sup>^</sup>	group 2	quarter 1	0.268	0.054	0.214	0.574	0.788	0.888
30.11.16 <sup>^</sup>	group 1	interim	1.003	0.201	0.802		0.802	0.831
30.11.16 <sup>^</sup>	group 2	interim	0.728	0.146	0.582	0.220	0.802	0.831
28.02.17 <sup>^</sup>	group 1	quarter 3	0.893	0.179	0.714		0.714	0.852
28.02.17 <sup>^</sup>	group 2	quarter 3	0.403	0.081	0.322	0.392	0.714	0.852
31.05.17	group 1	final	0.942	-	0.942		0.942	0.788
31.05.17	group 2	final	0.485	-	0.485	0.457	0.942	0.788

#### 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.

<sup>^</sup>Prior year distributions and current years distribution to 31 December 2016 were paid net of income tax. Under the Finance Act 2017 there is no longer a requirement to deduct income tax from interest distributions paying after 6 April 2017.

#### Quarter 1 distribution:

Group 1 Units purchased before 1 April 2016  
 Group 2 Units purchased 1 April 2016 to 30 June 2016

#### Interim distribution:

Group 1 Units purchased before 1 July 2016  
 Group 2 Units purchased 1 July 2016 to 30 September 2016

#### Quarter 3 distribution:

Group 1 Units purchased before 1 October 2016  
 Group 2 Units purchased 1 October 2016 to 31 December 2016

#### Final distribution:

Group 1 Units purchased before 1 January 2017  
 Group 2 Units purchased 1 January 2017 to 31 March 2017

## Further 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

### Buying and selling units

The property of the Fund is valued at 12 noon on each business day with the exception of the last business day prior to any bank holiday in England and Wales where the valuation maybe carried out at a time agreed in advance between the Manager and the Trustee; and the prices of the Fund 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. The Manager may waive the minimum levels at its discretion.

Prices of units and the estimated yield of the Fund are published on the following website: [www.fundlistings.com](http://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 as follows:

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

The annual management charge includes the Manager's periodic charge and the Investment Adviser's fee.

### 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.

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