

SVS Church House Investment Grade Fixed Interest Fund

Annual Short Report

for the year ended 31 March 2016

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SVS Church House Investment Grade Fixed Interest Fund

Report of the Manager

Smith & Williamson Fund Administration Limited as Manager hereby presents the Annual Short Report for SVS Church House Investment Grade Fixed Interest Fund ("the Fund") for the for the year ended 31 March 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 Annual Long Report.

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

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

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

Investment objective and policy

The objective of the Fund is to 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 year

Following their intention to gradually wind down the activity in their registered firm, KPMG Audit Plc resigned as auditor during the period and an alternative entity, KPMG LLP, became the auditor. There is no impact on the terms on which the auditor was retained. KPMG LLP have expressed their willingness to continue in office and the Manager has consented to their re-appointment.

On 29 January 2016, BNY Mellon & Depositary (UK) Limited resigned as Trustee of the Trust and on 30 January 2016, National Westminster Bank Plc Trustee and Depositary Services was appointed.

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

Investment performance

Capital performance* over:	One year to 31.03.16	Three years to 31.03.16	Five years to 31.03.16
SVS Church House Investment Grade Fixed Interest Fund	-2.70%	1.20%	9.50%
iBoxx Stg AA Corp 5-15 year	1.70%	1.40%	12.80%

* Percentage change in bid price of income units

Source: Bloomberg

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. Here are the statistics for our core fixed interest portfolio, which remained calm and little moved by the shenanigans in January and February. 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 2016
Short-dated Securities (less than 5 years)	57%
Medium-dated Securities (5 to 15 years)	36%
Long-dated Securities (over 15 years)	6%
Duration of Portfolio (Macaulay)	3.6
Volatility* (past year)	2.40%
Number of Holdings	120
Portfolio Value	£225m

* Annual standard deviation of monthly returns expressed as a percentage

Top 15 Holdings 31 March 2016

UK Treasury 4.75% 07/03/2020	3.10%
UK Treasury 4.5% 07/03/2019	2.50%
UK Treasury 5% 07/03/2018	2.50%
Heathrow Funding 6% 20/03/2020	2.10%
BG Energy Capital 5.125% 07/12/2017	2.00%
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%
Coventry Building Society 0.88875% 17/03/2020	1.70%
International Public Partnerships	1.50%
Close Brothers Group 6.5% 10/02/2017	1.50%
Lloyds Bank 5.125% 07/03/2025	1.40%
AP Moeller - Maersk 4% 04/04/2025	1.40%

The Fund's portfolio is well diversified in the asset class. Here are the top fifteen holdings by value at the end of March. Principally, the gilt holdings form part of the liquidity and cash management within the portfolio.

Gone from the list of the top fifteen holdings in the portfolio recently are the AT&T 2017 bonds and the EDF 6% hybrid, which were both sold in March. The holdings in BAA (Heathrow) Funding 6% 2020 and Scottish Widows 5.5% 2023 are more prominent as we added to both holdings.

Investment Adviser's report (continued)

Investment activities (continued)

New to the list is the Vodafone 8.125% 2018 issue, along with one of the infrastructure holdings, International Public Partnerships, which appears by virtue of good performance. By the end of the quarter, floating rate note holdings accounted for circa thirty per cent of the portfolio, reflecting our cautious view on the current rating environment.

Investment strategy and outlook

Brexit uncertainty has increased and concern for the outlook for sterling is mirrored in the cost of hedging using currency options, now higher than before the General Election and the Scottish Referendum. Sterling has fallen 11% so far on a trade-weighted basis, whilst the cost of insuring HM Government's debt (via UK Sovereign CDS), has doubled since the start of the year.

Every man and his dog are now coming out with conflicting in/out scenario projections but the best must be Gus O'Donnell's example of Greenland (withdrawing from the EEC pre EU), taking more than three years to negotiate a single trade agreement, their only one in fact, regarding their own fishing rights. No-one knows the consequences of an exit for certain; Article 50 of the Lisbon Treaty, which allows for an exit from the EU, has never been utilised before and it would give us only two years for renegotiation. One thing we can be fairly certain of is that Frankfurt and Paris would do their level best to wrest away the City's financial crown.

Back in the world of Central Bank inanity and bloated balance sheets, maybe it is beginning to dawn on some that negative interest rates are not the answer and simply don't work; all they achieve is destruction of profits of the very banking sector that they are trying to encourage to lend. The European Central Bank (ECB) delivered a new, bigger than expected, package of QE measures on top of further tinkering with interest rates. Mario Draghi stated there was no alternative and was proud of his 'impressive, very strong' actions, which change their emphasis from negative rates (whose efficacy is unsubstantiated), to credit easing. Their bond-buying programme will now run at €80bn per month from €60bn and has been widened to include some corporate bonds in a new asset purchase programme.

Rumblings of inflation in the US have picked up a little and we saw an unexpected increase in the core rate. Whether this leads to action from Fed. Chairman Janet Yellen remains to be seen, but the reasons for postponing rate hikes this year so far have abated as we have seen stability in risk assets, along with the pick-up in energy prices. The UK also saw a tick-up in inflation numbers, immediately dismissed by some as a one-off. We wait to see if this is correct as the effects of sterling's devaluation feed through, along with wage growth edging up and a still firm broader housing market.

We have not yet seen the expected rush to issue new debt in euro from US corporates materialise, but we have seen a few decent issues in sterling, some of which have even offered a decent New Issue Premium. As mentioned, the euro is the currency of choice for issuance at present and borrowers have rushed to catch up, pricing a record amount for the quarter, helped by whoppers such as AB Inbev's €13bn multi-tranche issue, part of the funding for their proposed purchase of SAB Miller.

Church House Investments Limited

April 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.

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.

Fund information

Distributions and reporting dates

Where net revenue is available it will be distributed 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 and 0.10% on the balance. The surplus is paid on to the Investment Adviser by the Manager.

Performance information

Number of units in issue	31.03.16	31.03.15	31.03.14
Income units	188,628,378	145,383,891	98,374,134
Accumulation units	9,227,310	9,130,765	8,427,482
Net Asset Value (NAV)	£	£	£
Total NAV of the Fund	226,160,476	181,773,911	120,837,447
NAV attributable to income unitholders	211,730,012	167,436,371	108,506,670
NAV attributable to accumulation unitholders	14,430,464	14,337,540	12,330,777
Net asset value per unit (based on bid value) ^	p	p	p
Income units	112.2	115.2	110.3
Accumulation units	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

		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

Summary of the distributions in the year

Income units			
Payment date	p	Payment date	p
31.08.15	0.652	31.08.14	0.816
30.11.15	0.606	30.11.14	0.765
29.02.16	0.618	28.02.15	0.658
31.05.16	0.569	31.05.15	0.601
Accumulation units			
Allocation date	p	Allocation date	p
31.08.15	0.888	31.08.14	1.085
30.11.15	0.831	30.11.14	1.025
29.02.16	0.852	28.02.15	0.892
31.05.16	0.788	31.05.15	0.815

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.

	31.03.16	31.03.15
Annual management charge	0.79%	0.80%
Other expenses	0.05%	0.06%
Ongoing charges figure	<u>0.84%</u>	<u>0.86%</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.

Portfolio information

Portfolio by asset class and geographical spread

Investment Type	Percentage of the total net assets as at 31.03.16	Percentage of the total net assets as at 31.03.15
Debt securities denominated in UK sterling: *		
AAA to AA	37.16%	37.24%
AA- to A+	6.47%	6.40%
A to A-	20.24%	14.45%
BBB+ to BBB	17.09%	27.98%
BBB- and below	11.34%	8.19%
Total debt securities	92.30%	94.26%
Equities:		
United Kingdom	4.92%	4.94%
Total equities	4.92%	4.94%
Other net assets	2.78%	0.80%
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 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%

Major ten holdings at the end of the previous year

Holding	Percentage of the total net assets as at 31.03.15
UK Treasury Gilt 4% 07/09/2016	4.04%
UK Treasury Gilt 5% 07/03/2018	3.16%
UK Treasury Gilt 4.5% 07/03/2019	2.51%
AP Moeller - Maersk 4% 04/04/2025	2.11%
Heathrow Funding 6% 20/03/2020	2.07%
Coventry Building Society 0.86406% 17/03/2020	2.06%
Standard Chartered 5.125% 06/06/2034	1.83%
JPMorgan Chase 1.06319% 30/05/2017	1.82%
Scottish Widows 5.5% 16/06/2023	1.80%
British Telecommunications 8.5% 07/12/2016	1.69%

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

Giles Murphy
Jeremy Boadle
Kevin Stopps
Paul Wyse
Jocelyn Dalrymple
David Cobb
Susan Shaw
Peter Maher - appointed 5 May 2015
James Gordon - appointed 21 January 2016
Sheridan Lees - resigned 3 February 2016
Tim Lyford - resigned 31 March 2016

Investment Adviser

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

Trustee - resigned 29 January 2016

BNY Mellon Trust & Depositary (UK) Limited
160 Queen Victoria Street
London EC4V 4LA
Authorised and regulated by the Financial Conduct Authority

Appointments (continued)

Trustee - appointed 30 January 2016

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