SVS Church House Balanced Equity Income Fund

Annual Report

for the year ended 31 March 2018

Contents

SVS Church House Balanced Equity Income Fund

Report of the Manager

St Vincent St Fund Administration (trading name of Smith & Williamson Fund Administration Limited), as Manager, presents herewith the Annual Report for SVS Church House Balanced Equity Income Fund for the year ended 31 March 2018.

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

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

The base currency of the Fund is UK Sterling.

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

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

Investment objective and policy

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

Changes affecting the Fund in the year

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

Further information in relation to the Fund is illustrated on page 37.

In accordance with the requirements of the Financial Conduct Authority’s Collective Investment Schemes sourcebook, we hereby certify the Annual Report on behalf of the Manager, Smith & Williamson Fund Administration Limited.

P. Maher G. Murphy
Directors
Smith & Williamson Fund Administration Limited
29 June 2018

Statement of the Manager's responsibilities

The Collective Investment Schemes sourcebook ("COLL") published by the FCA, requires the Manager to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Trust and of the net revenue and net capital losses on the property of the Trust for the year.

In preparing the financial statements the Manager is responsible for:

- selecting suitable accounting policies and then applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- following UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland;
- complying with the disclosure requirements of the Statement of Recommended Practice for UK Authorised Funds published by The Investment Association in May 2014;
- keeping proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless they either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so;
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- taking reasonable steps for the prevention and detection of fraud and irregularities.

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

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

Trustee's responsibilities

The Trustee must ensure that the Fund is managed in accordance with the Financial Conduct Authority's Collective Investment Scheme 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 revenue is applied in accordance with the Regulations; and
- the instructions of the Manager are carried out (unless they conflict with the Regulations).

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

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

(i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Fund's units and the application of the Fund's reveune 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
29 June 2018

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

Opinion

We have audited the financial statements of the Trust for the year ended 31 March 2018 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 Table for the Trust and the accounting policies set out on pages 7 to 8.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the financial position of the Trust as at 31 March 2018 and of the net revenue and the net capital losses on the property of the Trust for the year then ended; and

- have been properly prepared in accordance with the Trust Deed, the Statement of Recommended Practice relating to UK Authorised Funds, and the COLL Rules.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Trust in accordance with, UK ethical requirements including the FRC Ethical Standard.

We have received all the information and explanations which we consider necessary for the purposes of our audit and we believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The Manager (Smith & Williamson Fund Administration Limited) is responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information; and

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

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.

Manager's responsibilities

As explained more fully in their statement set out on page 3, the Manager is responsible for: the preparation of financial statements that give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's report to the unitholders of SVS Church House Balanced Equity Income Fund (continued)

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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') published 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.

Grant Archer
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG
29 June 2018

Accounting policies of SVS Church House Balanced Equity Income Fund

for the year ended 31 March 2018

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") published by The Investment Association in May 2014.

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 29 March 2018, being the last business day.

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 29 March 2018 with reference to quoted bid prices from reliable external sources.

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

c *Foreign exchange*

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

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

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

d *Revenue*

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

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

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

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.

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, other than those relating to the purchase and sale of investments, are charged to revenue and 50% of these expenses are reallocated to capital, net of any tax effect.

Bank interest paid is charged to revenue.

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

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

g Taxation

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

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

Deferred taxation is provided in full on timing differences that result in an obligation at 31 March 2018 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.

When a disposal of a holding in a non-reporting offshore fund is made, any gain is an offshore income gain and tax will be charged to capital. There may be instances where tax relief is due to revenue for the utilisation of excess management expenses.

h Efficient portfolio management

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

i Distribution policies

i Basis of distribution

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

ii Unclaimed distributions

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

iii Revenue

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

iv Expenses

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

v Equalisation

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

Investment Manager's report

Investment performance

Capital performance over:	One Year	Three Years	Five Years
SVS Church House Balanced Equity Income Fund	-3.9%	+0.5%	+9.2%

Back-up data*	29/03/2018	31/03/2017	31/03/2015	29/03/2013
SVS Church House Balanced Equity Income Fund	175.9	183.1	175.1	161.1

* source: Bloomberg (Bid price of A units income at 12pm pricing point)

Investment activity

We reported in October 2017 on activity in the first half of the year so these comments cover the latter six months of the Fund’s year.

Over the final quarter of 2017, share prices of most of the infrastructure companies have been recovering somewhat after the autumn sell-off; we have not changed any of the holdings. In the property section, we did add to the holding in MedicX Fund, which invests in primary care properties, principally modern GP surgeries, when their share price fell at the end of November. We have added to the holding in BT Group, as their share price appears to be steadying after a poor year. We also added to the holding in Bunzl.

Into the first quarter of 2018, we sold the holding in Standard Life Aberdeen, following the merger of Standard Life with Aberdeen Asset Management. Aberdeen had been in the portfolio for a number of years but the stock’s performance had been disappointing over the past few years as they lost funds, particularly in the Far East. A takeover was likely but we were not impressed with the ‘merger’ terms from Standard Life, hence the sale of the new combined entity.

There is one new holding in Micro Focus International, which has a great long-term record of generating return from seemingly out-dated software. But their recent acquisition of the Hewlett-Packard Enterprise software business is causing concerns and their stock price has become highly volatile. We would have benefitted from waiting longer to initiate this position, but are looking for opportunities to build on it.

As we would expect from a long-term equity income portfolio, there are few changes to the names in the top fifteen holdings. Sage Group (accounting and payroll software) has dropped out of the list after a rather dull trading update in January led to a steep fall in their share price (stock markets are in unforgiving mood at the moment). The AIM-listed Craneware, which provides systems for analysis and billing to the US healthcare sector, is a new entrant. This is quite a small company but we met their Chief Executive and Finance Director (again) in early March and continue to like the business and its prospects.

Top 15 Holdings - 29 March 2018	
Royal Dutch Shell 'B'	4.29%
HSBC Holdings	3.83%
GlaxoSmithKline	3.65%
AstraZeneca	2.82%
Unilever	2.69%
RELX	2.61%
BP	2.61%
Diageo	2.37%
Royal Bank of Scotland 0.80663% 15/05/2020**	2.10%
Smith & Nephew	2.09%
Rio Tinto	2.08%
BHP Billiton	1.91%
Standard Life Investment Property Income Trust	1.88%
Craneware	1.80%
Imperial Brands	1.77%

Investment strategy and outlook

Better news from Korea has been drowned-out by a cacophony of geo-political and economic noise around trade wars, Russian interference, interest rates and, above all, President Trump's obnoxious 'Tweets'.

The fall of the Berlin Wall in 1989 and subsequent opening-up of Russia and Eastern Europe, combined with the meteoric rise of China, a boom in world trade and technological advances have brought about a massive increase in prosperity.

President Trump now appears to be threatening free trade and, particularly, a trade war with China. While an ever more belligerent Russia, apparently happy to use biological warfare in England while supporting President Assad and befriending President Erdogan and the Iranian regime, brings a real chill to international relations.

The complacency in US stock markets was shaken by a sharp break and ensuing volatility in early February. First, they were spooked by rising interest rates after the January jobs report signalled higher wages than expected, then by President Trump's imposition of trade tariffs, largely aimed at China, and finally by problems at Facebook that reverberated around the 'tech' sector. A trade war and higher borrowing costs are not a good combination.

At present, our assumption is that President Trump's antagonistic moves on trade tariffs are actually his version of negotiation. Hopefully, President Xi's relatively measured response and offer to lower tariffs while opening other sectors to inward investment, might lead to a 'deal' that could ease tensions. But, there is no doubt that this will resurface; America is not comfortable with China's rapid technological advance.

We expect America to lead the way with higher interest rates, the UK to follow with a base rate increase shortly and Europe to prevaricate further. Assuming that we are right about this turn in interest rates, it does present a more difficult environment in which to invest. That is why our fixed interest and absolute return portfolios are so cautiously placed.

However, it is probably too soon to write-off equity markets, which do not look as exposed as fixed interest. World economies are still on a growth path, as are corporate profits, and much of the current 'noise' around trade wars is, for the moment, just that. It would appear that last year's calm in equity markets was the exception and that volatility is back with us. While this brings some uncomfortable swings in valuation, it does also bring opportunities.

Church House Investment Management
April 2018

Summary of portfolio changes
for the year ended 31 March 2018

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

Purchases:	Cost £
Royal Bank of Scotland 0.80663% 15/05/2020	1,002,700
UK Treasury Index Linked 4.125% 22/07/2030	553,807
Micro Focus International	468,694
BB Healthcare Trust	445,867
Croda International	372,334
Reckitt Benckiser Group	342,008
Lloyds Banking Group	288,339
Compass Group	260,950
Triple Point Social Housing	200,000
Legal & General Group	188,558
Imperial Brands	151,166
MedicX Fund	145,980
Close Brothers Group	143,866
Craneware	132,766
Diageo	115,545
National Grid	111,530
Bunzl	104,529
BP	95,466
BT Group	86,099
Berkeley Group Holdings	84,481

Sales:	Proceeds £
JPMorgan Chase 1.06819% 30/05/2017	500,000
Standard Life Aberdeen	453,447
Berkeley Group Holdings	211,158
Next	179,684

Portfolio statement
as at 31 March 2018

Investment	Nominal value or holding	Market value £	% of total net assets
Debt securities* 8.76% (7.04%)			
Aaa to Aa2 4.66% (2.78%)			
Lloyds Bank 0.89125% 14/01/2019**	£500,000	501,170	1.05
Royal Bank of Scotland 0.80663% 15/05/2020**	£1,000,000	1,002,320	2.10
UK Treasury Index Linked 4.125% 22/07/2030**	£200,000	722,860	1.51
		2,226,350	4.66
A2 to A3 0.97% (1.05%)			
Anglian Water Services Financing Index Linked 4.125% 28/07/2020**	£250,000	462,093	0.97
Baa1 to Baa2 1.15% (2.33%)			
Southern Water Services Finance Index Linked 3.706% 31/03/2034**	£218,000	551,507	1.15
Unrated 1.98% (0.88%)			
Heathrow Funding Index Linked 3.334% 09/12/2039**	£250,000	564,708	1.18
Shaftesbury Carnaby 2.487% 30/09/2031	£400,000	384,640	0.80
		949,348	1.98
Total debt securities		4,189,298	8.76
Convertible Debentures 0.94% (1.01%)			
PHP Finance Jersey 4.25% 20/05/2039	400,000	448,740	0.94
Total convertible debentures		448,740	0.94
Equities 87.21% (87.34%)			
Equities - United Kingdom 84.60% (84.56%)			
Equities - incorporated in the United Kingdom 70.55% (71.54%)			
Oil & Gas 6.90% (6.79%)			
BP	260,000	1,245,660	2.61
Royal Dutch Shell 'B'	90,000	2,049,300	4.29
		3,294,960	6.90
Chemicals 0.96% (0.00%)			
Croda International	10,000	456,600	0.96
Basic Resources 3.99% (3.55%)			
BHP Billiton	65,000	912,210	1.91
Rio Tinto	27,500	993,025	2.08
		1,905,235	3.99
Industrial Goods & Services 8.81% (9.82%)			
Babcock International Group	90,000	601,740	1.26
BAE Systems	125,000	726,500	1.52
Bunzl	30,000	628,500	1.31
Carillion^	175,000	-	-
Halma	70,000	825,300	1.73
Howden Joinery Group	100,000	460,800	0.96
Meggitt	100,000	431,800	0.90
Royal Mail	100,000	540,800	1.13
		4,215,440	8.81

Portfolio statement (continued)
as at 31 March 2018

Investment	Nominal value or holding	Market value £	% of total net assets
Equities - incorporated in the United Kingdom (continued)			
Food & Beverage 3.98% (3.67%)			
Britvic	75,000	511,500	1.07
Dairy Crest Group	50,000	256,000	0.54
Diageo	47,000	1,133,640	2.37
		1,901,140	3.98
Personal & Household Goods 7.78% (8.40%)			
Berkeley Group Holdings	22,000	833,580	1.74
Imperial Brands	35,000	848,400	1.77
Reckitt Benckiser Group	12,500	753,875	1.58
Unilever	32,500	1,285,538	2.69
		3,721,393	7.78
Health Care 9.49% (10.49%)			
AstraZeneca	27,500	1,346,125	2.82
Clinigen Group	50,000	445,750	0.93
GlaxoSmithKline	125,000	1,742,500	3.65
Smith & Nephew	75,000	997,875	2.09
		4,532,250	9.49
Retail 2.80% (3.56%)			
Greggs	35,000	429,800	0.90
J Sainsbury	200,000	477,600	1.00
Marks & Spencer Group	160,000	432,320	0.90
		1,339,720	2.80
Travel & Leisure 1.52% (1.17%)			
Compass Group	50,000	727,750	1.52
Telecommunications 2.17% (2.54%)			
BT Group	200,000	455,000	0.95
Vodafone Group	300,000	582,180	1.22
		1,037,180	2.17
Utilities 2.66% (3.49%)			
Centrica	175,000	248,850	0.52
Ceravision^^	750,000	-	-
National Grid	75,000	601,650	1.26
SSE	33,000	421,080	0.88
		1,271,580	2.66
Banks 7.98% (6.34%)			
Barclays	300,000	619,500	1.30
Close Brothers Group	50,000	717,000	1.50
HSBC Holdings	275,000	1,829,575	3.83
Lloyds Banking Group	1,000,000	646,600	1.35
		3,812,675	7.98

Portfolio statement (continued)
as at 31 March 2018

Investment	Nominal value or holding	Market value £	% of total net assets
Equities - incorporated in the United Kingdom (continued)			
Insurance 3.06% (3.43%)			
Aviva	165,000	818,235	1.71
Legal & General Group	250,000	644,500	1.35
		1,462,735	3.06
Financial Services 3.59% (4.90%)			
Aberforth Split Level Income Trust	800,000	750,400	1.57
BB Healthcare Trust	400,000	420,000	0.88
Schroders	17,000	542,640	1.14
		1,713,040	3.59
Technology 4.86% (3.39%)			
accesso Technology Group	20,000	452,000	0.95
Craneware	50,000	862,500	1.80
Micro Focus International	21,500	212,162	0.44
Sage Group	125,000	798,750	1.67
		2,325,412	4.86
Total equities - incorporated in the United Kingdom		33,717,110	70.55
Equities - incorporated outwith the United Kingdom 14.05% (13.02%)			
Media 0.78% (0.68%)			
UBM	40,000	375,200	0.78
Insurance 1.26% (1.31%)			
Phoenix Group Holdings	79,166	604,432	1.26
Real Estate 8.04% (6.08%)			
Civitas Social Housing	445,000	432,540	0.90
Civitas Social Housing 'C' Shares	667,500	635,794	1.33
MedicX Fund	700,000	547,400	1.15
Standard Life Investment Property Income Trust	1,000,000	896,000	1.88
Target Healthcare REIT	590,909	602,727	1.26
Triple Point Social Housing	200,000	202,000	0.42
Triple Point Social Housing Preference Shares	133,333	133,333	0.28
Tritax Big Box	272,727	393,545	0.82
		3,843,339	8.04
Financial Services 3.97% (4.95%)			
GCP Infrastructure Investments	544,122	638,799	1.34
HICL Infrastructure	462,613	628,228	1.31
John Laing Infrastructure Fund	560,000	630,560	1.32
ULTra PRT^^	2,620	-	-
		1,897,587	3.97
Total equities - incorporated outwith the United Kingdom		6,720,558	14.05
Total equities - United Kingdom		40,437,668	84.60

Portfolio statement (continued)

as at 31 March 2018

Investment	Nominal value or holding	Market value £	% of total net assets
Equities - Europe 2.61% (2.78%)			
Equities - Netherlands 2.61% (2.78%)			
RELX	84,590	1,248,159	2.61
Total equities - Europe		1,248,159	2.61
Total equities		41,685,827	87.21
Portfolio of investments		46,323,865	96.91
Other net assets		1,476,054	3.09
Total net assets		47,799,919	100.00

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

The comparative figures in brackets are as at 31 March 2017.

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

** Variable interest rate security.

^ Carillion: The fair value pricing committee determined that it is appropriate to include the security in the portfolio of investments with no value as the security is in liquidation, with little prospect of a distribution to shareholders.

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

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

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

Risk and reward profile

The risk and reward profile is representative of all unit classes in the Fund.

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

← Typically lower rewards, lower risk | Typically higher rewards, higher risk →

1	2	3	**4**	5	6	7

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

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

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

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

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

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

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

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

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

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.

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

	A units income			A units accumulation		
	2018	2017	2016	2018	2017	2016
	p	p	p	p	p	p
Change in net assets per unit						
Opening net asset value per unit	180.81	163.66	172.91	259.33	226.89	231.11
Return before operating charges	1.20	26.01	(0.62)	1.58	36.25	(0.62)
Operating charges	(2.85)	(2.72)	(2.65)	(4.12)	(3.81)	(3.60)
Return after operating charges *	(1.65)	23.29	(3.27)	(2.54)	32.44	(4.22)
Distributions^	(5.64)	(6.14)	(5.98)	(8.15)	(8.58)	(8.06)
Retained distributions on accumulation units^	-	-	-	8.15	8.58	8.06
Closing net asset value per unit	173.52	180.81	163.66	256.79	259.33	226.89
* after direct transaction costs of:	0.08	0.09	0.13	0.12	0.13	0.17
Performance						
Return after charges	(0.91%)	14.23%	(1.89%)	(0.98%)	14.30%	(1.82%)
Other information						
Closing net asset value (£)	40,449,180	39,144,315	33,989,484	3,230,458	3,175,927	2,891,508
Closing number of units	23,311,256	21,649,676	20,766,970	1,257,999	1,224,649	1,274,404
Ongoing charges	1.55%	1.57%	1.58%	1.55%	1.57%	1.58%
Direct transaction costs	0.05%	0.06%	0.07%	0.05%	0.06%	0.07%
Prices						
Highest offer unit price	190.3	185.8	180.0	277.7	262.6	240.6
Lowest bid unit price	173.3	158.4	152.1	252.9	219.6	207.7

^ Rounded to 2 decimal places.

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

Comparative table (continued)

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

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

	B units income			B units accumulation		
	2018	2017	2016	2018	2017	2016
	p	p	p	p	p	p
Change in net assets per unit						
Opening net asset value per unit	185.09	167.01	175.90	264.04	229.55	235.00
Return before operating charges	1.23	26.57	(0.81)	1.57	36.78	(1.18)
Operating charges	(1.72)	(1.65)	(1.61)	(2.50)	(2.29)	(2.17)
Return after operating charges *	(0.49)	24.92	(2.42)	(0.93)	34.49	(3.35)
Distributions^	(6.39)	(6.84)	(4.77)	(9.18)	(9.49)	(6.42)
Retained distributions on accumulation units^	-	-	-	9.18	9.49	6.42
Closing net asset value per unit	178.21	185.09	167.01	263.11	264.04	229.55
* after direct transaction costs of:	0.08	0.10	0.10	0.12	0.13	0.13
Performance						
Return after charges	(0.26%)	14.92%	(1.38%)	(0.35%)	15.03%	(1.43%)
Other information						
Closing net asset value (£)	1,927,164	1,105,460	709,364	2,193,117	1,710,947	1,157,704
Closing number of units	1,081,430	597,242	424,755	833,538	647,996	504,336
Ongoing charges	0.93%	0.95%	^^0.96%	0.93%	0.95%	^^0.96%
Direct transaction costs	0.05%	0.06%	0.07%	0.05%	0.06%	0.07%
Prices						
Highest offer unit price	195.5	190.5	172.2	284.2	267.3	236.7
Lowest bid unit price	178.2	161.8	155.3	259.0	222.5	210.0

^ Rounded to 2 decimal places.

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

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

Ongoing charges figure

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

A units income	31.03.18	31.03.17
Annual management charge	1.50%	1.50%
Other expenses	0.05%	0.07%
Ongoing charges figure	1.55%	1.57%

A units accumulation	31.03.18	31.03.17
Annual management charge	1.50%	1.50%
Other expenses	0.05%	0.07%
Ongoing charges figure	1.55%	1.57%

B units income	31.03.18	31.03.17
Annual management charge	0.88%	0.88%
Other expenses	0.05%	0.07%
Ongoing charges figure	0.93%	0.95%

B units accumulation	31.03.18	31.03.17
Annual management charge	0.88%	0.88%
Other expenses	0.05%	0.07%
Ongoing charges figure	0.93%	0.95%

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

Financial statements - SVS Church House Balanced Equity Income Fund

Statement of total return
for the year ended 31 March 2018

	Notes	2018		2017	
		£	£	£	£
Income:					
Net capital (losses) / gains	2		(1,682,132)		4,468,014
Revenue	3	1,847,256		1,818,879	
Expenses	4	(719,909)		(643,348)	
Net revenue before taxation		1,127,347		1,175,531	
Taxation	5	(3,209)		(4,568)	
Net revenue after taxation			1,124,138		1,170,963
Total return before distributions			(557,994)		5,638,977
Distributions	6		(1,484,090)		(1,492,544)
Change in net assets attributable to unitholders from investment activities			(2,042,084)		4,146,433

Statement of change in net assets attributable to unitholders
for the year ended 31 March 2018

	2018		2017	
	£	£	£	£
Opening net assets attributable to unitholders		45,136,649		38,748,060
Amounts receivable on issue of units	6,107,034		3,897,427	
Amounts payable on cancellation of units	(1,575,349)		(1,819,757)	
		4,531,685		2,077,670
Stamp duty reserve tax		-		1,490
Change in net assets attributable to unitholders from investment activities		(2,042,084)		4,146,433
Retained distributions on accumulation units		173,669		162,996
Closing net assets attributable to unitholders		47,799,919		45,136,649

Balance sheet
as at 31 March 2018

	Notes	2018	2017
		£	£
Assets:			
Fixed assets:			
Investments		46,323,865	43,054,805
Current assets:			
Debtors	7	362,944	368,504
Cash and bank balances	8	1,867,454	2,356,642
Total assets		48,554,263	45,779,951
Liabilities:			
Creditors:			
Bank overdrafts	8	-	(7)
Distribution payable		(602,978)	(594,279)
Other creditors	9	(151,366)	(49,016)
Total liabilities		(754,344)	(643,302)
Net assets attributable to unitholders		47,799,919	45,136,649

Notes to the financial statements

for the year ended 31 March 2018

1. Accounting policies

   The accounting policies are disclosed on pages 7 to 8.

2. Net capital (losses) / gains

	2018	2017
	£	£
Non-derivative securities - realised gains	11,668	764,079
Non-derivative securities - movement in unrealised (losses) / gains	(1,747,598)	3,700,674
Currency	-	3,889
Capital special dividend	59,063	-
Transaction charges	(5,265)	(628)
Total net capital (losses) / gains	(1,682,132)	4,468,014

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

3. Revenue

	2018	2017
	£	£
Franked revenue	1,459,488	1,415,254
Unfranked revenue	93,288	53,975
Overseas revenue	184,844	243,525
Interest on debt securities	109,605	106,125
Bank and deposit interest	31	-
Total revenue	1,847,256	1,818,879

4. Expenses

	2018	2017
	£	£
Payable to the Manager and associates		
Annual management charge	697,418	615,341
Registration fees	311	274
	697,729	615,615
Payable to the Trustee		
Trustee fees	15,870	13,852
Other expenses:		
Audit fee	6,180	5,940
Safe custody fees	(771)	4,878
Bank interest	-	31
FCA fee	55	65
KIID production fee	1,236	1,017
Publication fee	(390)	-
Legal fee	-	1,950
	6,310	13,881
Total expenses	719,909	643,348

Notes to the financial statements (continued)

for the year ended 31 March 2018

5. Taxation

	2018	2017
	£	£
a. Analysis of the tax charge for the year		
Overseas tax withheld	3,209	4,568
Total taxation (note 5b)	3,209	4,568

b. Factors affecting the tax charge for the year

The tax assessed for the year is lower (2017: lower) than the standard rate of UK corporation tax for an authorised collective investment scheme of 20% (2017: 20%). The differences are explained below:

	2018	2017
	£	£
Net revenue before taxation	1,127,347	1,175,531
Corporation tax @ 20%	225,469	235,107
Effects of:		
Franked revenue	(291,897)	(283,051)
Overseas revenue	(36,969)	(48,705)
Overseas tax withheld	3,209	4,568
Excess management expenses	103,397	96,649
Total taxation (note 5a)	3,209	4,568

c. Provision for deferred taxation

At the year end, a deferred tax asset has not been recognised in respect of timing differences relating to excess management expenses as there is insufficient evidence that the asset will be recovered. The amount of asset not recognised is £985,850 (2017: £882,453).

6. Distributions

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

	2018	2017
	£	£
Interim income distribution	746,514	761,544
Interim accumulation distribution	94,353	89,522
Final income distribution	602,978	594,279
Final accumulation distribution	79,316	73,474
	1,523,161	1,518,819
Equalisation:		
Amounts deducted on cancellation of units	11,342	13,707
Amounts added on issue of units	(50,429)	(39,953)
Net equalisation on conversions	16	(29)
Total net distributions	1,484,090	1,492,544

Reconciliation between net revenue and distributions:	2018	2017
	£	£
Net revenue after taxation per Statement of total return	1,124,138	1,170,963
Undistributed revenue brought forward	133	55
Expenses paid from capital	359,954	321,659
Undistributed revenue carried forward	(135)	(133)
Distributions	1,484,090	1,492,544

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

Notes to the financial statements (continued)
for the year ended 31 March 2018

7. Debtors

	2018	2017
	£	£
Amounts receivable on issue of units	145,108	149,057
Accrued revenue	211,703	216,517
Recoverable overseas withholding tax	4,608	2,930
Prepaid expenses	857	-
Recoverable income tax	668	-
Total debtors	362,944	368,504

8. Cash and bank balances

	2018	2017
	£	£
Bank balances	1,867,454	2,356,642
Total cash and bank balances	1,867,454	2,356,642
Bank overdraft	-	(7)

9. Other creditors

	2018	2017
	£	£
Amounts payable on cancellation of units	28,767	38,395
Purchases awaiting settlement	112,176	-
Accrued expenses:		
Payable to the Manager and associates		
Annual management charge	3,844	-
Registration fees	2	-
	3,846	-
Other expenses:		
Trustee fees	88	-
Safe custody fees	296	3,751
Audit fee	6,180	5,940
KIID production fee	-	185
Publication fee	-	390
Transaction charges	13	355
	6,577	10,621
Total accrued expenses	10,423	10,621
Total other creditors	151,366	49,016

10. Commitments and contingent liabilities

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

11. Unit classes

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

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

	A units income
Opening units in issue	21,649,676
Total units issued in the year	2,288,732
Total units cancelled in the year	(613,897)
Total units converted in the year	(13,255)
Closing units in issue	23,311,256

11. Unit classes (continued)

	A units accumulation
Opening units in issue	1,224,649
Total units issued in the year	50,104
Total units cancelled in the year	(44,619)
Total units converted in the year	27,865
Closing units in issue	1,257,999

	B units income
Opening units in issue	597,242
Total units issued in the year	572,279
Total units cancelled in the year	(101,015)
Total units converted in the year	12,924
Closing units in issue	1,081,430

	B units accumulation
Opening units in issue	647,996
Total units issued in the year	267,870
Total units cancelled in the year	(55,054)
Total units converted in the year	(27,274)
Closing units in issue	833,538

For the year ended 31 March 2018, the annual management charge for each unit class is as follows:

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

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

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

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

12. Related party transactions

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

The Manager acts as principal in respect of all transactions of units in the Fund. The aggregate monies received and paid through the 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.

12. Related party transactions (continued)

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:

	2018	2017
Church House Investments Ltd	93.84%	94.35%

13. Events after the balance sheet date

Subsequent to the year end, the net asset value per income unit has increased / decreased from xxxp to xxxxp and the accumulation unit has increased / decreased from xxxp to xxxp as at {DATE}. 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:

	2018	% of purchases by asset class	2017	% of purchases by asset class
Purchases:	£		£	
Equities - purchases before transaction costs	4,180,485		4,730,595	
Commission	4,384	0.10%	5,666	0.12%
Taxes	16,564	0.39%	11,061	0.23%
Financial transaction tax	1	0.00%	-	-
Total direct transaction costs - Equities	20,949	0.49%	16,727	0.35%
Equities - purchases after direct transaction costs	4,201,434		4,747,322	
Bonds - purchases*	1,556,507		400,000	
Total purchases after direct transaction costs	5,757,941		5,147,322	
Capital events^	929,923		177,071	

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

* No direct transaction costs were incurred in these transactions.

14. Transaction costs (continued)

a Direct transaction costs (continued)

	2018	% of sales by asset class	2017	% of sales by asset class
Sales:	£		£	
Equities - sales before transaction costs	845,340		3,598,379	
Commission	(1,051)	0.12%	(5,915)	0.16%
Taxes	-	-	(12)	0.00%
Total direct transaction costs - Equities	(1,051)	0.12%	(5,927)	0.16%
Equities - sales after direct transaction costs	844,289		3,592,452	
Bonds - sales*	500,000		602,658	
Total sales after direct transaction costs	1,344,289		4,195,110	
Capital events^	357,500		544,839	

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

* No direct transaction costs were incurred in these transactions.

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:

	2018	% of average net asset value	2017	% of average net asset value
	£		£	
Commission	5,435	0.01%	11,581	0.03%
Taxes	16,564	0.04%	11,073	0.03%
Financial transaction tax	1	0.00%	-	-

b Average portfolio dealing spread

The average portfolio 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 0.37% (2017: 0.25%).

15. Risk management policies

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

a Market risk

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

(i) Other price risk

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

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

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

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

At 31 March 2018, 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 unitholders would increase or decrease by approximately £2,084,291 (2017: £1,971,083).

(ii) Currency risk

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

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

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

	Financial instruments and cash holdings	Net debtors and creditors	Total net foreign currency exposure
2018	£	£	£
Euro	1,248,159	4,608	1,252,767
Total foreign currency exposure	1,248,159	4,608	1,252,767

15. Risk management policies (continued)

a Market risk (continued)

(ii) Currency risk (continued)

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

At 31 March 2018, if the value of sterling increased or decreased by 5% against all other currencies, with all other variables remaining constant, then the net assets attributable to unitholders would increase or decrease by approximately £62,638 (2017: £65,814).

(iii) Interest rate risk

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

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

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

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

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

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

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

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

2018	Variable rate financial assets £	Variable rate financial liabilities £	Fixed rate financial assets £	Non-interest bearing financial assets £	Non-interest bearing financial liabilities £	Total £
Euro	-	-	-	1,252,767	-	1,252,767
UK sterling	5,672,112	-	833,380	40,796,004	(754,344)	46,547,152
	5,672,112	-	833,380	42,048,771	(754,344)	47,799,919

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

15. Risk management policies (continued)

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.

c Liquidity risk

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

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

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

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

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.

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.

15. Risk management policies (continued)

d Fair value of financial assets and financial liabilities (continued)

Valuation technique	Investment assets 2018 £	Investment liabilities 2018 £
Quoted prices	42,408,687	-
Observable market data	3,915,178	-
Unobservable data	-	-
	46,323,865	-

Valuation technique	Investment assets 2017 £	Investment liabilities 2017 £
Quoted prices	39,606,685	-
Observable market data	3,448,120	-
Unobservable data	-	-
	43,054,805	-

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

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

Carillion: The fair value pricing committee determined that it is appropriate to include the security in the portfolio of investments with no value as the security is in liquidation, with little prospect of a distribution to shareholders.

e Assets subject to special arrangements arising from their illiquid nature

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

	2018	2017
Carillion	0.00%	0.86%
Ceravision	0.00%	0.00%
ULTraPRT	0.00%	0.00%
Total	0.00%	0.86%

f Derivatives

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

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

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

During the year there were no derivative transactions.

15. Risk management policies (continued)

(i) Counterparties

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

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

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

(ii) Leverage

There have been no leveraging arrangements in the year.

(iii) Global exposure

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

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

There have been no collateral arrangements in the year.

Distribution table

for the year ended 31 March 2018

Distributions on A units income in pence per unit

Payment date	Unit type	Distribution type	Net revenue	Equalisation	Distribution current year	Distribution prior year
30.11.17	group 1	interim	3.182	-	3.182	3.475
30.11.17	group 2	interim	1.865	1.317	3.182	3.475
31.05.18	group 1	final	2.456	-	2.456	2.662
31.05.18	group 2	final	1.066	1.390	2.456	2.662

Distributions on A units accumulation in pence per unit

Allocation date	Unit type	Distribution type	Net revenue	Equalisation	Distribution current year	Distribution prior year
30.11.17	group 1	interim	4.565	-	4.565	4.817
30.11.17	group 2	interim	3.204	1.361	4.565	4.817
31.05.18	group 1	final	3.587	-	3.587	3.763
31.05.18	group 2	final	1.885	1.702	3.587	3.763

Equalisation

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

Accumulation distributions

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

Interim distribution:

Group 1	Units purchased before 1 April 2017
Group 2	Units purchased on or after 1 April 2017 to 30 September 2017

Final distribution:

Group 1	Units purchased before 1 October 2017
Group 2	Units purchased on or after 1 October 2017 to 31 March 2018

Distribution table (continued)

for the year ended 31 March 2018

Distributions on B units income in pence per unit

Payment date	Unit type	Distribution type	Net revenue	Equalisation	Distribution current year	Distribution prior year
30.11.17	group 1	interim	3.573	-	3.573	3.830
30.11.17	group 2	interim	1.919	1.654	3.573	3.830
31.05.18	group 1	final	2.816	-	2.816	3.008
31.05.18	group 2	final	1.039	1.777	2.816	3.008

Distributions on B units accumulation in pence per unit

Allocation date	Unit type	Distribution type	Net revenue	Equalisation	Distribution current year	Distribution prior year
30.11.17	group 1	interim	5.080	-	5.080	5.259
30.11.17	group 2	interim	2.924	2.156	5.080	5.259
31.05.18	group 1	final	4.102	-	4.102	4.227
31.05.18	group 2	final	2.181	1.921	4.102	4.227

Equalisation

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

Accumulation distributions

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

Interim distribution:

Group 1	Units purchased before 1 April 2017
Group 2	Units purchased on or after 1 April 2017 to 30 September 2017

Final distribution:

Group 1	Units purchased before 1 October 2017
Group 2	Units purchased on or after 1 October 2017 to 31 March 2018

Remuneration

Remuneration code disclosure

The remuneration committee is responsible for setting remuneration policy for all partners, directors and employees within the Smith and Williamson Group including individuals designated as Material Risk Takers under the Remuneration Code. The remuneration policy is designed to be compliant with the Code and provides a framework to attract, retain, motivate and reward partners, directors and employees. The overall policy is designed to promote the long-term success of the group and to support prudent risk management, with particular attention to conduct risk.

Remuneration committee

The remuneration committee report contained in pages 39-41 of the Smith & Williamson Report and Financial Statements for the year ended 30 April 2017 (available http://smithandwilliamson.com/about-us/financial-reports) includes details on the remuneration policy. The remuneration committee comprises five non-executive directors and is governed by formal terms of reference, which are reviewed and agreed by the board. The committee met five times during 2016-17.

Remuneration policy

The main principles of the remuneration policy are:

- to align remuneration with the strategy and performance of the business
- to ensure that remuneration is set at an appropriate and competitive level taking into account market rates and practices
- to foster and support conduct and behaviours which are in line with our culture and values
- to maintain a sound risk management framework
- to ensure that the ratio between fixed and variable remuneration is appropriate and does not encourage excessive risk taking
- to comply with all relevant regulatory requirements
- to align incentive plans with the business strategy and shareholder interests.

The policy is designed to reward partners, directors and employees for delivery of both financial and non-financial objectives which are set in line with company strategy. As part of a “balanced scorecard” approach to variable remuneration non-financial criteria including compliance and risk issues, client management, supervision, leadership and teamwork are considered alongside financial performance.

Remuneration systems

The committee reviews all partners' and directors' fixed and variable remuneration. In addition, it approves hurdles and awards in respect of equity incentive plans, namely a deferred option plan, Equity Matching Plan, Matching Share Plan, Executive Long Term Incentive Plan and an Investment Management Long Term Incentive Plan.

The remuneration of partners is made up of a fixed profit share, discretionary bonus profit share and non-discretionary bonus profit share. The remuneration of employees typically comprises of a salary with benefits including pension contribution, life assurance, permanent health insurance, private medical insurance, SAYE scheme and a discretionary bonus scheme. Partners, directors and associate directors are also eligible to participate, at the invitation of the committee, in the equity incentive plans described above.

The committee approved the introduction of a new Equity Matching Plan for partners, and the continuation of the existing Matching Share Plan for employees. The purpose of the plans is to reward individual performance and to encourage wider share ownership.

When considering variable remuneration for the executive directors, the committee takes account of overall business profit for the group and divisions, the achievement of both financial and non-financial objectives (including adherence to the principles of treating customers fairly, conduct risk, compliance and regulatory rules), personal performance and any other relevant policy of the board in respect of the year ended 30 April 2017. The committee agrees the individual allocation of variable remuneration and the proportion of that variable remuneration to be awarded as restricted shares.

Remuneration (continued)

Aggregate Quantitative Information

The total amount of remuneration paid by Smith & Williamson Fund Administration Limited (SWFAL) is nil as SWFAL has no employees. However, a number of employees have remuneration costs recharged to SWFAL and the annualised remuneration for these 72 employees is £2,924,504, of which £2,705,376 is fixed remuneration. This is based on the annualised salary and benefits for those identified as working in SWFAL as at 30 April 2017. Any variable remuneration is awarded for the year ending 30 April 2017. This information excludes any senior management or other Material Risk Takers (MRTs) whose remuneration information is detailed below.

Smith & Williamson reviews its MRTs at least annually. These individuals are employed by and provide services to other companies in the Smith & Williamson group. It is difficult to apportion remuneration for these individuals in respect of their duties to SWFAL. For this reason, the aggregate total remuneration awarded for the financial year 2016-17 for senior management and other MRTs detailed below has not been apportioned.

Table to show the aggregate remuneration split by Senior Management and other MRTs for SWFAL (£000)	Financial Year ending 30 April 2017				
		Variable			
	Fixed	Cash	Equity	Total	No. MRTs
Senior Management	£2,929	£1,776	£580	£5,285	16
Other MRTs	£1,476	£872	£184	£2,532	11
Total	£4,405	£2,648	£764	£7,817	27

Further information

Distributions and reporting dates

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

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

Buying and selling units

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

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

A units income and A units accumulation

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

B units income and B units accumulation

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

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

Appointments

Manager and Registered office

St Vincent St Fund Administration (trading name of Smith & Williamson Fund Administration Limited)
25 Moorgate
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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

Brian McLean
David Cobb
Giles Murphy
Grant Hotson
James Gordon
Jocelyn Dalrymple
Kevin Stopps
Paul Wyse
Peter Maher
Susan Shaw
Tas Quayum

Investment Manager

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Trustee

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Trustee and Depositary Services
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Auditor

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