

SVS Church House Investment Grade Fixed Interest Fund

Interim Report

for the six months ended 30 September 2018

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## SVS Church House Investment Grade Fixed Interest Fund

### Report of the Manager

St Vincent St Fund Administration (trading name of Smith & Williamson Fund Administration Limited), as Manager, presents herewith the Interim Report for SVS Church House Investment Grade Fixed Interest Fund for the six months ended 30 September 2018.

SVS Church House Investment Grade Fixed Interest Fund ('the Trust' or 'the Fund') is an authorised unit trust scheme further to an authorisation order dated 1 December 2000 and is a UCITS scheme complying with the investment and borrowing powers rules in the Collective Investment Schemes sourcebook ('COLL'), as 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 secure a high level of income through investment principally in investment grade corporate bonds, United Kingdom Government Gilts and supra-national issues. The Fund may also invest in other higher income securities such as preference shares and infrastructure funds and other interest bearing securities such as Treasury bills. The Fund also seeks to hedge the interest rate or credit risk in the portfolio through the use of derivative instruments.

#### Changes affecting the Fund in the period

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

On 23 July 2018 two new unit classes were launched, XL Institutional Income Units and XL Institutional Accumulation Units. At the reporting date, there was no investment in these unit classes.

Further information in relation to the Fund is illustrated on page 17.

Royal Bank of Scotland Group transferred its Trustee and Depositary Services business from National Westminster Bank Plc to NatWest Trustee & Depositary Services Limited on 29 October 2018.

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

B. McLean

J. Gordon

Directors

Smith & Williamson Fund Administration Limited

29 November 2018

**Accounting policies of SVS Church House Investment Grade Fixed Interest Fund (unaudited)**  
*for the six months ended 30 September 2018*

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.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2018 and are described in those annual financial statements.

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

## SVS Church House Investment Grade Fixed Interest Fund

### Investment Manager's report

#### Investment performance

Capital performance* over:	6 months to 30.09.18	3 years to 30.09.18	5 years to 30.09.18
SVS Church House Investment Grade Fixed Interest Fund	-0.7%	+1.1%	+2.5%

\* Percentage change in bid price on a net asset value (nav) to nav basis of income units to 12pm on 28 September 2018.

Source: Bloomberg.

#### Investment activities

The risk profile of the SVS Church House Investment Grade Fixed Interest Fund portfolio is little changed over the first half of the Fund's year but we have been able to lengthen the duration a shade in recent weeks. Floating rate notes (FRNs) are still a dominant feature:

SVS Church House Investment Grade Fixed Interest Fund	September 2018	March 2018
Short-dated Securities (less than 5 years)	53%	60%
Medium-dated Securities (5 to 15 years)	43%	36%
Long-dated Securities (over 15 years)	4%	4%
Duration of Portfolio	3.3	3.1
Volatility* (past year)	1.3%	1.8%
Number of Holdings	114	111
Yield	2.1%	2.1%
Portfolio Value	£308m	£295m

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

The list of top holdings now includes three new floating rate notes linked to the Sterling Overnight Index Average (SONIA) (from Santander UK, Lloyds Bank and the International Bank for Reconstruction & Development) as we gradually replace LIBOR-linked issues. Unusually, there are no UK Treasury gilts in the list, but this is happenstance, not a change in policy.

Top 15 Holdings 30 September 2018	
Santander UK 1.1277% 20/09/2021	2.9%
Goldman Sachs Group 7.25% 10/04/2028	2.6%
Bank of America 7% 31/07/2028	2.3%
National Westminster Bank 1.06175% 15/05/2020	2.0%
AP Moller - Maersk 4% 04/04/2025	2.0%
European Investment Bank 1.0473% 29/06/2023	2.0%
Lloyds Bank 1.1282% 13/09/2021	2.0%
Bank of Scotland 9.375% 15/05/2021	2.0%
Orange 5.875% perpetual	1.8%
Citigroup 5.15% 21/05/2026	1.8%
Heathrow Funding 6% 20/03/2020	1.7%
RBC CMS Linked Reverse Convertible Notes 28/06/2019	1.7%
ABN AMRO Bank 1.30181% 30/11/2018	1.6%
International Bank for Reconstruction & Development 0.9371% 04/10/2023	1.6%
Royal Bank of Canada 1.03225% 08/12/2022	1.6%

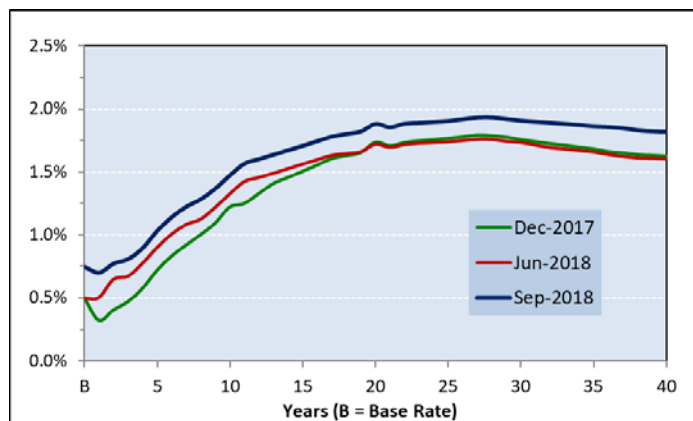
The SSE hybrid, SSE 3.875% perpetual, has dropped out following a reduction in the holding while Close Brothers Finance 2.75% 19/10/2026 has simply been pushed down the ranking by the new FRNs.

## Investment Manager's report (continued)

### Investment strategy and outlook

The Monetary Policy Committee (MPC) of the Bank of England (BoE) did finally edge the base rate up to three quarters of one per cent in early August. Rates have now moved up right along the curve, as our chart shows:

UK Interest Rates (the income yield from Gilts) - The Yield Curve



Source: Church House Investments Limited, Bloomberg.

It is no coincidence that a 20% rally in crude prices has partly coincided with a now marked rise in Government bond yields and is one of the factors now feeding into volatility in risk assets. There is suddenly a lot to worry about as Italian politics continue to imperil the euro, the reality of trade wars begins to hit home and, of course, we have the continued random behaviour of the leader of the free world. His self-delusional nature has taken on a new dimension as he now appears to take personal credit every time US equities rise and blames the Federal Reserve (Fed) when they fall (apparently they are 'crazy' and 'loco'). The Fed stuck to its guns and hiked again, meaning that the Fed Funds Rate is higher than their inflation rate for the first time since 2008. This contributed to the reality check in yields which has served to stifle some of the forecasts for inversion of the US Treasury yield curve, the gap between two-year and thirty-year yields having traded sideways around 40 basis points (bp) all summer has moved out to around 50bp. The US unemployment rate dropping to 3.7%, gleefully announced as the lowest since 1969, helped things along too.

Former BoE Governor Mervyn King gave a frank and coherent interview on the subject of Brexit, and, paraphrasing, neatly made the point that the EU has shown all the unity and sense of purpose that we expected (hoped for) from the UK, while the UK has exhibited all the shambolic disarray and partisan factional self-interest that we expected from the EU. BoE Governor 'TINA' Carney graciously agreed to stay on in the role until 2019. He did attempt to point out, again, that a no deal Brexit could have serious consequences for UK plc (not least rate hikes to defend sterling) but, as usual, this either falls on deaf ears or is met by accusations of bias. Meanwhile, strong inflation numbers, retail sales (along with manufacturing Purchasing Managers' Index hitting a two year low) and sterling volatility gave everyone something to think about and we have seen ten-year Gilt yields climb to levels not seen since February.

With these obvious headwinds still shamefully no closer to resolution, caution regarding certain UK risk assets is rising. There are also a few warning signs that shouldn't be ignored: a couple of overpriced Initial Public Offerings crashing back to earth and a sharp rise in unsecured lending and leveraged loan activity provides food for thought. More MPC members are seeing the first real signs of wage growth, coupling this with the recent high print in inflation and steady if sluggish growth, means the BoE has a difficult path to tread.

The ten-year anniversary of the Global Financial Crisis prompted many comparisons of then and now. The global financial system is in a much stronger state than it was then, regulators have worked to ensure that large-scale financial institutions cannot take the kind of risks or leverage that led to Lehman et al. The stand-out beneficiary of this and central bank action is the health of the US banking system; the UK's is probably better than perceived while the eurozone banking system, in parts, still has a long way to go. From a debt perspective, US Federal borrowing has doubled; in 2008, it was over half of US Gross Domestic Product (GDP), now it is more than the whole of US GDP.

Ahead of the recent spike in volatility, credit spreads were stable and, even now, are within the summer range. Credit markets had a healthy quarter of issuance across all currencies, sterling issuance was skewed towards longer-dated deals and there seemed to be a willingness to add to longer-dated risk. Nearly every deal priced tighter than initial guidance and there was a notable whopper in the form of the Comcast \$27bn borrowing (to finance their Sky purchase).

## Investment Manager's report (continued)

### Investment strategy and outlook (continued)

#### Replacement of LIBOR

Below is an update we wrote to our private clients on the shift away from LIBOR to new alternative rates:

I apologise that this is somewhat technical, but you will be aware of the publicity surrounding the most widely used, and once most respected money market rate, LIBOR. The fact that LIBOR was hard to determine in the dark days of 2008/2009 was well known to us, but banks managed to keep the rate functioning, just. This was overshadowed by the emergence later that some traders had been finessing the rate or 'fix' for profit, which led to prosecutions, huge fines and a few prison sentences. Regulators realised an alternative was needed and announced that LIBOR should be replaced by the end of 2021, i.e. the panel of banks will not be required to come up with daily quotes and are likely to drop the responsibility like a stone. This has serious consequences as the number of financial instruments referenced to LIBOR is colossal, estimates vary widely, but possibly up to \$200tn in US dollar exposure alone, including derivative contracts, or around \$500bn in bond contracts.

The concern is that many contracts have a life way beyond 2021, out to fifty years, and there is no wording in their documentation, known as 'LIBOR Fall Back Language', that caters for a change of reference rate. So many instruments would be left in limbo for the rest of their life, potentially stuck at their last coupon fix, which could lead to some dramatic changes in value depending on the path of interest rates. Regulators, realising that the deadline is approaching, have begun to force the pace and the Financial Conduct Authority have had a number of consultations this year with banks and investors.

What is emerging in the US is SOFR, Secured Overnight Funding Rate, linked to bond borrowing transaction rates, 'repos'. In the UK, we have SONIA, which is linked to actual overnight transactions and published by the Bank. The European Central Bank is moving a little more slowly, it has EONIA and ESTER, Euro Short Term Rate. These rates are still evolving, but are becoming established as viable alternatives, especially SONIA. We have switched almost all of our post 2021 LIBOR exposure into new SONIA referenced issues. We remain concerned by the lack of investor, and market, awareness of this issue. We recently met a debt related fund that had two-thirds of its assets in long-dated floating exposure referenced to LIBOR. On questioning them about the language in the documentation of these investments, they had no answer to hand; apparently we were the only manager to ask out of more than one hundred meetings that they had held.

Church House Investments Limited

30 October 2018

## Summary of portfolio changes

for the six months ended 30 September 2018

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

	Cost
	£
Purchases:	
International Bank for Reconstruction & Development 0.9371% 04/10/2023	10,000,000
Santander UK 1.1277% 20/09/2021	9,000,000
Bank of Scotland 9.375% 15/05/2021	6,160,280
Lloyds Bank 1.1282% 13/09/2021	6,000,000
European Investment Bank 1.0473% 29/06/2023	6,000,000
Nationwide Building Society 0.99088% 12/04/2023	4,500,000
Bank of America 7% 31/07/2028	4,159,770
Rothsay Life 6.875% perpetual	4,000,000
Toronto-Dominion Bank 1.07225% 07/06/2021	4,000,000
Phoenix Group Holdings 5.75% perpetual	3,000,000
Santander 0.95681% 13/04/2021	3,000,000
CYBG 4% 25/09/2026	2,987,850
Prudential 5.625% 20/10/2051	2,986,740
Goldman Sachs Group 3.125% 25/07/2029	2,975,460
ABN AMRO Bank 1.15356% 29/05/2020	2,900,000
AA Bond 4.875% 31/07/2024	2,489,475
Investec Bank 4.25% 24/07/2028	2,486,825
SSE 3.875% perpetual	2,060,150
Bank of Nova Scotia 1.18025% 30/09/2021	2,013,800
Close Brothers Group 2.75% 26/04/2023	2,012,840

	Proceeds
	£
Sales:	
UK Treasury Gilt 1.75% 22/07/2019	7,085,590
Santander UK 0.77444% 16/11/2022	6,491,225
International Bank for Reconstruction & Development 0.9371% 04/10/2023	5,001,840
Barclays Bank 10% 21/05/2021	4,862,920
Nationwide Building Society 0.99088% 12/04/2023	4,498,380
UK Treasury Gilt 4.75% 07/03/2020	4,241,460
Toronto-Dominion Bank 1.00231% 01/02/2019	4,011,640
JP Morgan 1-Year GBP Interest Rate Linked Note (in GBP) 27/06/2018	3,500,000
Yorkshire Building Society 3.5% 21/04/2026	3,181,320
SSE 3.875% perpetual	3,045,000
JP Morgan 1-Year GBP Interest Rate Linked Note (in GBP) 11/04/2018	3,000,000
Lloyds Bank 0.93306% 27/03/2023	2,998,590
Barclays Bank 0.74131% 09/01/2023	2,997,510
Royal Bank of Canada 0.80294% 20/07/2018	2,400,000
UK Treasury Gilt 4.5% 07/03/2019	2,035,120
Lloyds Bank 0.82156% 16/01/2020	2,004,340
Swedbank Hypotek 0.90794% 29/10/2018	2,001,000
Stadshypotek 0.82975% 17/08/2018	2,000,000
Santander UK 0.80163% 29/05/2018	2,000,000
Nationwide Building Society 0.72794% 27/04/2018	2,000,000



## Portfolio statement

as at 30 September 2018

	Nominal value or holding	Market value £	% of total net assets
Investment			
Debt securities 94.75% (89.75%)			
Aaa to Aa2* 34.77% (38.03%)			
Australia & New Zealand Banking Group 1.30875% 11/02/2019**	£3,500,000	3,505,950	1.14
Bank of Montreal 0.96888% 20/07/2020**	£4,500,000	4,502,295	1.46
Bank of Nova Scotia 1.20306% 14/01/2019**	£2,000,000	2,002,220	0.65
Bank of Nova Scotia 1.18025% 30/09/2021**	£2,000,000	2,009,420	0.65
Bank of Scotland 4.875% 20/12/2024	£1,500,000	1,759,104	0.57
Barclays Bank 1.03588% 22/05/2020**	£2,000,000	2,001,960	0.65
Canadian Imperial Bank of Commerce 1.32113% 11/03/2019**	£2,000,000	2,004,180	0.65
Canadian Imperial Bank of Commerce 1.14988% 10/01/2022**	£3,500,000	3,520,195	1.14
Clydesdale Bank 4.625% 08/06/2026	£1,250,000	1,480,037	0.48
Coventry Building Society 1.09731% 17/03/2020**	£3,750,000	3,756,487	1.22
European Investment Bank 1.00438% 21/05/2021**	£2,000,000	2,010,920	0.65
European Investment Bank 1.0473% 29/06/2023	£6,000,000	6,016,020	1.96
Landesbank Baden-Wuerttemberg 1.0745% 18/05/2021**	£2,000,000	2,000,520	0.65
Lloyds Bank 1.05306% 18/07/2019**	£1,000,000	1,001,870	0.33
Lloyds Bank 1.05306% 16/01/2020**	£3,000,000	3,004,920	0.98
Lloyds Bank 1.1282% 13/09/2021	£6,000,000	6,005,400	1.95
Lloyds Bank 5.125% 07/03/2025	£2,500,000	2,980,538	0.97
Lloyds Bank 6% 08/02/2029	£500,000	671,609	0.22
National Bank of Canada 1.16844% 27/09/2021**	£3,000,000	3,011,430	0.98
National Westminster Bank 1.06175% 15/05/2020**	£6,250,000	6,259,000	2.04
National Westminster Bank 5.125% 13/01/2024	£1,500,000	1,748,925	0.57
Nationwide Building Society 1.27163% 25/04/2019**	£2,744,000	2,750,421	0.90
Nordea Eiendomskreditt 1.05025% 30/03/2020**	£2,000,000	2,001,460	0.65
Royal Bank of Canada 1.41875% 09/10/2018**	£2,000,000	2,000,300	0.65
Royal Bank of Canada 1.19944% 04/06/2019**	£2,000,000	2,003,320	0.65
Royal Bank of Canada 1.03225% 08/12/2022**	£5,000,000	4,991,800	1.62
Santander UK 0.95681% 13/04/2021**	£4,000,000	3,998,880	1.30
Santander UK 1.1277% 20/09/2021**	£9,000,000	9,002,700	2.93
Skandinaviska Enskilda Banken 1.2045% 19/11/2018**	£2,000,000	2,001,340	0.65
Stadshypotek 0.94263% 11/01/2023**	£2,000,000	1,994,940	0.65
Toronto-Dominion Bank 1.07225% 07/06/2021**	£4,000,000	4,002,120	1.30
Toronto-Dominion Bank 1.01388% 30/01/2023**	£3,000,000	2,992,350	0.97
TSB Bank 1.04225% 07/12/2022**	£3,250,000	3,247,335	1.06
UK Treasury Gilt 4.5% 07/03/2019	£1,000,000	1,016,200	0.33
UK Treasury Gilt 4.75% 07/03/2020	£2,000,000	2,112,200	0.69
UK Treasury Gilt 2% 22/07/2020	£1,000,000	1,020,800	0.33
Wellcome Trust Finance 4.75% 28/05/2021	£500,000	544,710	0.18
		<u>106,933,876</u>	<u>34.77</u>
Aa3 to A1* 7.32% (8.23%)			
ABN AMRO Bank 1.30181% 30/11/2018**	£5,000,000	5,003,950	1.63
ABN AMRO Bank 1.15356% 29/05/2020**	£2,900,000	2,900,957	0.95
Close Brothers Finance 3.875% 27/06/2021	£2,000,000	2,097,960	0.68

## Portfolio statement (continued)

as at 30 September 2018

Investment	Nominal value or holding	Market value £	% of total net assets
Debt securities (continued)			
Aa3 to A1* (continued)			
Close Brothers Finance 2.75% 19/10/2026	£5,010,000	4,937,004	1.61
Commonwealth Bank of Australia 1.48225% 26/10/2018**	£2,000,000	2,000,920	0.65
Nationwide Building Society 1.1535% 06/06/2019**	£2,500,000	2,502,525	0.81
Total Capital International 1.09938% 01/07/2019**	£3,050,000	3,053,142	0.99
		<u>22,496,458</u>	<u>7.32</u>
A2 to A3* 15.30% (12.84%)			
Aviva 6.625% 03/06/2041**	£500,000	545,135	0.18
Aviva 4.375% 12/09/2049**	£4,000,000	3,751,000	1.22
Aviva 5.125% 04/06/2050**	£2,000,000	1,968,814	0.64
Aviva 6.125% perpetual**	£1,500,000	1,625,536	0.53
Bank of America 5.5% 04/12/2019	£2,000,000	2,095,102	0.68
Bank of America 7% 31/07/2028	£5,250,000	7,047,784	2.29
BUPA Finance 2% 05/04/2024	£1,000,000	986,680	0.32
BUPA Finance 6.125% perpetual**	£500,000	528,750	0.17
Close Brothers Group 2.75% 26/04/2023	£2,000,000	1,994,080	0.65
Close Brothers Group 4.25% 24/01/2027	£1,835,000	1,901,060	0.62
GE Capital UK Funding Unlimited 4.125% 13/09/2023	£1,506,000	1,645,445	0.53
Goldman Sachs Group 7.25% 10/04/2028	£6,000,000	7,988,328	2.60
Goldman Sachs Group 3.125% 25/07/2029	£3,000,000	2,934,450	0.95
HSBC Holdings 5.75% 20/12/2027	£1,599,000	1,874,509	0.61
Legal & General Group 10% 23/07/2041**	£2,000,000	2,390,958	0.78
Prudential 5.625% 20/10/2051**	£3,000,000	3,033,750	0.98
Rio Tinto Finance 4% 11/12/2029	£2,000,000	2,272,074	0.74
SSE 8.375% 20/11/2028	£250,000	367,671	0.12
Thames Water Utilities Cayman Finance 4% 19/06/2025	£1,500,000	1,626,025	0.53
Wessex Water Services Finance 4% 24/09/2021	£450,000	480,074	0.16
		<u>47,057,225</u>	<u>15.30</u>
Baa1 to Baa2* 15.13% (15.14%)			
AP Moller - Maersk 4% 04/04/2025	£6,011,000	6,168,122	2.01
Bank of Scotland 9.375% 15/05/2021	£5,100,000	5,993,647	1.95
Cadent Finance 1.125% 22/09/2021	£230,000	226,670	0.07
Cadent Finance 2.125% 22/09/2028	£2,500,000	2,326,925	0.76
Citigroup 5.15% 21/05/2026	£4,683,000	5,422,062	1.76
Credit Suisse Group 2.125% 12/09/2025**	£2,000,000	1,906,260	0.62
Digital Stout Holding 4.75% 13/10/2023	£3,000,000	3,291,108	1.07
Eastern Power Networks 4.75% 30/09/2021	£1,500,000	1,632,130	0.53
Fidelity International 7.125% 13/02/2024	£2,445,000	2,938,276	0.96
Hammerson 3.5% 27/10/2025	£2,000,000	2,034,246	0.66
HSBC Bank 6.5% 07/07/2023	£1,000,000	1,179,574	0.38
Leeds Building Society 3.75% 25/04/2029**	£2,000,000	1,880,240	0.61
London Power Networks 5.125% 31/03/2023	£500,000	567,350	0.19
Scotland Gas Networks 3.25% 08/03/2027	£1,350,000	1,396,967	0.45

## Portfolio statement (continued)

as at 30 September 2018

	Nominal value or holding	Market value £	% of total net assets
Investment			
Debt securities (continued)			
Baa1 to Baa2* (continued)			
Scottish Widows 5.5% 16/06/2023	£3,500,000	3,818,990	1.24
SSE 3.875% perpetual**	£3,000,000	3,029,715	0.99
Western Power Distribution West Midlands 6% 09/05/2025	£500,000	605,092	0.20
Yorkshire Building Society 3.375% 13/09/2028**	£2,250,000	2,098,260	0.68
		<u>46,515,634</u>	<u>15.13</u>
Baa3 to unrated* 22.23% (15.51%)			
International Bank for Reconstruction & Development 0.9371% 04/10/2023**	£5,000,000	5,001,000	1.63
AA Bond 4.875% 31/07/2024	£2,500,000	2,497,450	0.81
Barclays 2.375% 06/10/2023**	£3,500,000	3,426,990	1.11
Barclays Bank 2% 13/05/2020**	£1,350,000	1,365,457	0.44
BG Energy Capital 5.125% 01/12/2025	£750,000	901,243	0.29
British Land 2.375% 14/09/2029	£2,500,000	2,356,375	0.77
CYBG 4% 25/09/2026**	£3,000,000	2,976,900	0.97
Danske Bank 1.195% 04/10/2018**	£1,000,000	1,000,010	0.33
Goldman Sachs Group 2.1% 08/09/2021**	£2,000,000	2,012,800	0.65
Heathrow Funding 6% 20/03/2020	£5,000,000	5,317,565	1.73
Heathrow Funding 5.225% 15/02/2023	£500,000	568,500	0.18
Heathrow Funding 6.75% 03/12/2026	£2,629,000	3,410,915	1.11
Investec Bank 4.25% 24/07/2028**	£2,500,000	2,446,275	0.79
J Sainsbury 6.5% perpetual**	£3,000,000	3,186,810	1.04
Liverpool Victoria Friendly Society 6.5% 22/05/2043**	£1,500,000	1,619,764	0.53
Lloyds Bank 1.75% 19/06/2020**	£1,300,000	1,305,031	0.42
National Express Group 2.5% 11/11/2023	£1,400,000	1,382,444	0.45
Northumbrian Water Finance 6.875% 06/02/2023	£4,000,000	4,796,768	1.56
Orange 5.875% perpetual**	£5,255,000	5,640,586	1.83
Phoenix Group Holdings 5.75% perpetual**	£3,000,000	2,640,000	0.86
Rothsay Life 8% 30/10/2025	£2,000,000	2,385,480	0.78
Rothsay Life 6.875% perpetual**	£4,000,000	3,955,000	1.29
Segro 2.375% 11/10/2029	£4,000,000	3,801,760	1.24
Shaftesbury Chinatown 2.348% 30/09/2027	£2,500,000	2,374,750	0.77
Vodafone Group 4.875% 03/10/2078**	£2,000,000	1,992,400	0.65
		<u>68,362,273</u>	<u>22.23</u>
Default 0.00% (0.00%)			
Cattles 6.875% 17/01/2014***	£250,000	-	-
Total debt securities		<u>291,365,466</u>	<u>94.75</u>
Equities 3.39% (3.54%)			
Equities - incorporated outwith the United Kingdom 3.39% (3.54%)			
GCP Infrastructure Investments	3,338,680	4,146,641	1.35
HICL Infrastructure	1,984,390	3,040,085	0.99
International Public Partnerships	2,137,500	3,231,900	1.05
Total equities - incorporated outwith the United Kingdom		<u>10,418,626</u>	<u>3.39</u>

## Portfolio statement (continued)

as at 30 September 2018

	Nominal value or holding	Market value £	% of total net assets
Investment			
Offshore Collective Investment Schemes 0.81% (0.85%)			
Boost Gilts 10Y 3x Short Daily	50,000	2,493,500	0.81
Structured products 1.67% (3.93%)			
RBC CMS Linked Reverse Convertible Notes 28/06/2019	5,000,000	5,124,784	1.67
Total structured products		5,124,784	1.67
Portfolio of investments		309,402,376	100.62
Other net liabilities		(1,897,251)	(0.62)
<b>Total net assets</b>		<b>307,505,125</b>	<b>100.00</b>

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

The comparative figures in brackets are as at 31 March 2018.

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

\*\* Variable interest security.

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

Total purchases in the period:	£96,724,245
Total sales in the period:	£73,384,142

## Risk and reward profile

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

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.

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

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

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

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

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

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

## Performance information

Number of units in issue	30.09.18	31.03.18	31.03.17	31.03.16
Income	254,853,999	243,210,264	205,568,508	188,628,378
Accumulation	11,563,415	10,438,625	10,889,848	9,227,310
Net Asset Value (NAV)	£	£	£	£
Total NAV of the Fund	307,505,125	294,800,010	255,523,697	226,160,476
NAV attributable to income unitholders	288,326,215	277,520,399	237,631,778	211,730,012
NAV attributable to accumulation unitholders	19,178,910	17,279,611	17,891,919	14,430,464
Net asset value per unit (based on bid value) ^	p	p	p	p
Income	113.1	114.1	115.6	112.2
Accumulation	165.9	165.5	164.3	156.4

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

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

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

## Highest and lowest prices and distributions

Financial year to 31 March		Distribution per unit p	Highest offer price p	Lowest bid price p
2016	Income	3.057	121.7	110.6
2016	Accumulation	4.199	165.9	153.4
2017	Income	2.726	124.3	112.1
2017	Accumulation	3.822	174.1	155.5
2018	Income	2.378	123.5	114.3
2018	Accumulation	3.404	176.8	164.3
Financial period to 30 September 2018	Income	1.198	120.7	113.4
Financial period to 30 September 2018	Accumulation	1.741	175.7	165.4

## Summary of the distributions in the current financial period and prior financial year

Income			
Payment date	p	Payment date	p
31.08.18	0.594	31.08.17	0.624
30.11.18	0.604	30.11.17	0.624
		28.02.18	0.571
		31.05.18	0.559
Accumulation			
Allocation date	p	Allocation date	p
31.08.18	0.861	31.08.17	0.886
30.11.18	0.880	30.11.17	0.891
		28.02.18	0.820
		31.05.18	0.807

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.

	30.09.18 <sup>^</sup>	31.03.18
Annual management charge	0.79%	0.80%
Other expenses	0.04%	0.04%
Ongoing charges figure	<u>0.83%</u>	<u>0.84%</u>

<sup>^</sup> Annualised based on the expenses incurred during the period 1 April 2018 to 30 September 2018.

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

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

### Statement of total return (unaudited)

for the six months ended 30 September 2018

	1 April 2018 to 30 September 2018		1 April 2017 to 30 September 2017	
	£	£	£	£
Income:				
Net capital (losses) / gains		(2,090,458)		121,218
Revenue	3,821,921		3,428,646	
Expenses	<u>(1,261,787)</u>		<u>(1,115,052)</u>	
Net revenue before taxation	2,560,134		2,313,594	
Taxation	<u>-</u>		<u>-</u>	
Net revenue after taxation		<u>2,560,134</u>		<u>2,313,594</u>
Total return before distributions		469,676		2,434,812
Distributions		(3,192,193)		(2,869,817)
Change in net assets attributable to unitholders from investment activities		<u><u>(2,722,517)</u></u>		<u><u>(435,005)</u></u>

### Statement of change in net assets attributable to unitholders (unaudited)

for the six months ended 30 September 2018

	1 April 2018 to 30 September 2018		1 April 2017 to 30 September 2017	
	£	£	£	£
Opening net assets attributable to unitholders		294,800,010 *		255,523,697
Amounts receivable on issue of units	21,349,009		27,663,719	
Amounts payable on cancellation of units	<u>(6,118,828)</u>		<u>(3,857,794)</u>	
		15,230,181		23,805,925
Change in net assets attributable to unitholders from investment activities		(2,722,517)		(435,005)
Retained distributions on accumulation units		197,451		188,738
Closing net assets attributable to unitholders		<u><u>307,505,125</u></u>		<u><u>279,083,355</u></u> *

\* The opening net assets in the current period do not equal the closing net assets in the comparative period as they are not consecutive periods.



Balance sheet (unaudited)  
as at 30 September 2018

	30 September 2018	31 March 2018
	£	£
Assets:		
Fixed assets:		
Investments	309,402,376	289,106,570
Current assets:		
Debtors	12,221,874	3,514,313
Cash and bank balances	2,617,737	5,735,592
Total assets	<u>324,241,987</u>	<u>298,356,475</u>
Liabilities:		
Creditors:		
Distribution payable	(1,539,318)	(1,359,545)
Other creditors	(15,197,544)	(2,196,920)
Total liabilities	<u>(16,736,862)</u>	<u>(3,556,465)</u>
Net assets attributable to unitholders	<u>307,505,125</u>	<u>294,800,010</u>

## Further 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

### Buying and selling units

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

#### Income units and Accumulation units

The minimum initial investment in these unit classes 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.

The Manager may impose a charge on the sale of units to investors, which is based on the amount invested by the prospective investor. The preliminary charge is 5% of the value of each unit.

#### XL Institutional Income units and XL Institutional Accumulation units

The minimum initial investment in these unit classes is £50,000,000. The minimum subsequent investment is £5,000. The Manager reserves the right to terminate holdings where the value is less than £50,000,000. The Manager may waive the minimum levels at its discretion.

The Manager may impose a charge on the sale of units to investors, which is based on the amount invested by the prospective investor. The preliminary charge is 5% of the value of each unit.

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

## 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

Brian McLean

David Cobb

Grant Hotson

James Gordon

Kevin Stopps

Paul Wyse

Giles Murphy - resigned 30 May 2018

Jocelyn Dalrymple - resigned 30 May 2018

Peter Maher - resigned 30 May 2018

Susan Shaw - resigned 30 May 2018

Tas Quayum - resigned 30 May 2018

### Non-Executive Directors of the Manager

Dean Buckley - appointed 29 August 2018

Linda Robinson - appointed 29 August 2018

Victoria Muir - appointed 29 August 2018

### Investment Manager

Church House Investments Limited

York House

6 Coldharbour

Sherborne

Dorset DT9 4JW

Authorised and regulated by the Financial Conduct Authority

### Trustee

NatWest Trustee & Depositary Services Limited

2nd Floor

Drummond House

1 Redheughs Avenue

Edinburgh EH12 9RH

Authorised and regulated by the Financial Conduct Authority

### Auditor

KPMG LLP

Saltire Court

20 Castle Terrace

Edinburgh EH1 2EG