

## THE INCOME TRUST FOR CHARITIES



**Alex Smitten**  
Fund manager

## INVESTMENT OBJECTIVE AND POLICY

The Income Trust for Charities aims to provide a high and secure level of income through predominantly investing in United Kingdom Government and other fixed interest securities, or derivatives thereof. The Trust may invest up to 20 per cent of its net asset value on a currency hedged basis in bonds denominated in currencies other than sterling. The target for the Trust is a total return ahead of the FTSE Government All Stocks Index over rolling five-year periods.

On 16/01/2015 Charity Fixed Interest Fund merged into The Income Trust for Charities.

## TECHNICAL INFORMATION

Fund launch date	31 <sup>st</sup> October 1997
Total fund size (£)	58.2 million
Total number of holdings	37
Unit price end of month (p)	62.76
Benchmark	FTSE Government All Stocks Index
Managed fund since	1 <sup>st</sup> December 2000

## PERFORMANCE ANALYSIS

Performance (%)	1 month	3 months	6 months	YTD	1 year	3 years	5 years	10 years
Fund	-1.7	-3.2	-0.8	-0.8	7.7	13.2	31.8	64.3
Benchmark	-1.7	-3.4	-1.3	-1.3	8.9	8.8	30.0	67.6

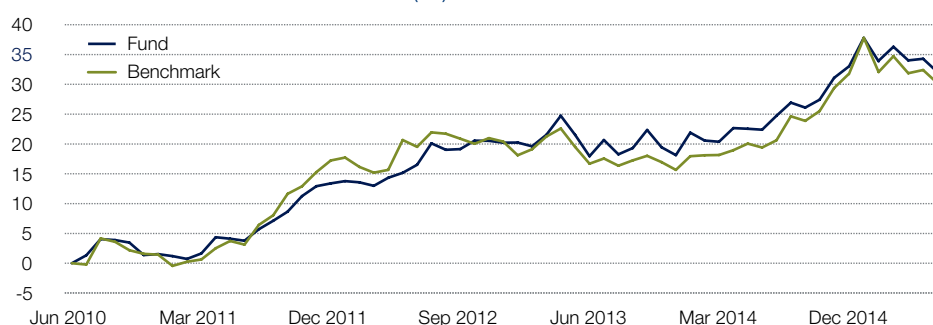
  

Discrete yearly performance (%)	1 <sup>st</sup> Jul 2014 - 30 <sup>th</sup> Jun 2015	1 <sup>st</sup> Jul 2013 - 30 <sup>th</sup> Jun 2014	1 <sup>st</sup> Jul 2012 - 30 <sup>th</sup> Jun 2013	1 <sup>st</sup> Jul 2011 - 30 <sup>th</sup> Jun 2012	1 <sup>st</sup> Jul 2010 - 30 <sup>th</sup> Jun 2011
Fund	7.7	3.8	1.2	12.3	3.8
Benchmark	8.9	2.3	-2.4	15.9	3.1

## FINANCIAL INFORMATION

	Fund
Effective duration of fund in years	9.0
Effective duration of index in years	9.6
Effective yield (%)	2.3
Distribution yield (%)	4.1
Expected yield (%)	3.2
Average credit rating	AA-
Annual volatility over 3 years (%)	5.01

## PERFORMANCE OVER 5 YEARS (%)



## PURCHASE INFORMATION

SEDOL	Acc: BF31DF0 Inc: 0169332
Bloomberg	Inc: CAZIFCI:LN
ISIN	Acc: GB00BF31DF00 Inc: GB0001693323
Fund base currency	GBP
Dealing frequency	Daily (12:00 GMT)
Annual management charge	0.3%
Minimum investment amount	£10,000 and £1,000 thereafter

**Past performance is not a reliable indicator of future results, prices of shares and the income from them may fall as well as rise and investors may not get back the amount originally invested.**

Some performance differences between the fund and the benchmark may arise because the fund performance is calculated at a different valuation point from the benchmark. The since launch performance of the benchmark cannot be shown as it did not exist at the fund's launch date.

Source: Schroders, I Inc bid to bid price with net income reinvested, net of the ongoing charges and portfolio costs and, where applicable, performance fees.

## INCOME PAYMENTS

2014/15	Ex-distribution date	Payment date	Rate per unit
Interim	30 <sup>th</sup> April 2015	15 <sup>th</sup> June 2015	0.50p
Interim	31 <sup>st</sup> January 2015	15 <sup>th</sup> March 2015	0.70p
Final	31 <sup>st</sup> October 2014	15 <sup>th</sup> December 2014	0.70p
Interim	31 <sup>st</sup> July 2014	15 <sup>th</sup> September 2014	0.70p

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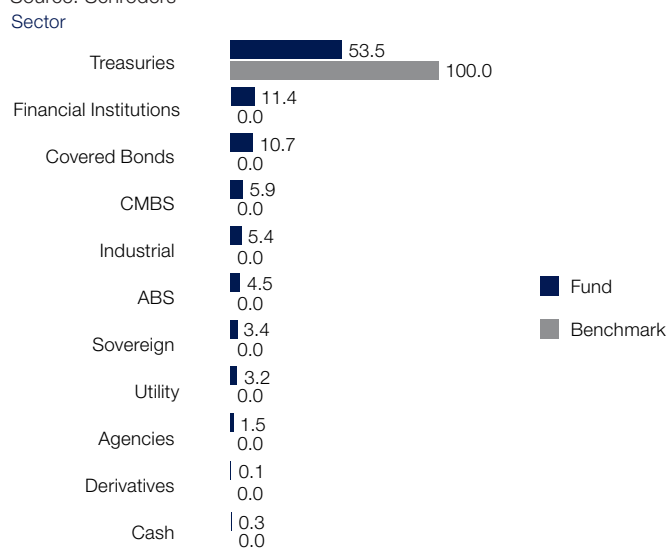
## HOLDINGS ANALYSIS

Top 10 holdings	Sector	% NAV
United Kingdom Gilt Bond 4.75% 07/12/2038	Treasuries	9.6
United Kingdom Gilt Bond 8% 07/06/2021	Treasuries	9.3
United Kingdom Gilt Bond 4.25% 07/12/2055	Treasuries	7.2
United Kingdom Gilt Bond 4.25% 07/12/2040	Treasuries	6.8
United Kingdom Gilt Bond 4.25% 07/03/2036	Treasuries	6.6
United Kingdom Gilt Bond 5% 07/03/2018	Treasuries	4.3
United Kingdom Gilt Bond 8.75% 25/08/2017	Treasuries	4.1
United Kingdom I/L Gilt Bond 0.125% 22/03/2024	Treasuries	3.6
States of Guernsey 3.375% 12/12/2046	Sovereign	3.4
Leeds Building Society 4.25% 17/12/2018	Covered Bonds	2.7
<b>Total</b>		<b>57.6</b>

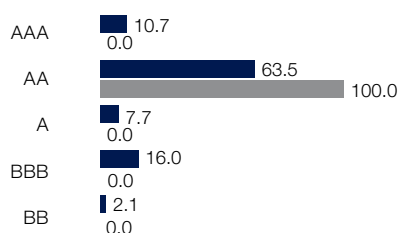
## ASSET ALLOCATION (%)

Credit ratings are calculated using asset ratings from different rating agencies.

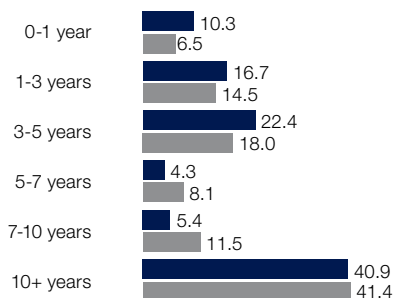
Source: Schroders



## Fixed Income Rating



## Duration



## PERFORMANCE AND PORTFOLIO ACTIVITY

The fund recorded a return of -3.0% over the quarter while its benchmark returned -3.4%. The fund's relative short duration position compared to the benchmark meant that the negative returns resulting from the rise in yields during the period were somewhat mitigated. The fund's duration stance also more than offset the negative impact of widening credit spreads.

During the quarter, yields moved progressively higher driven more by technical factors than fundamentals. German Government bond yields, which had fallen close to zero at the ten year point in the first quarter, rose by 0.58% during the second quarter and this dragged most other yields in the same direction. In the UK for example, the yield on the 10 year gilt rose by 0.44%. As a result, negative returns were recorded over the period particularly for Eurozone Government bonds which suffered their worst ever quarter returning -5.4% in aggregate. Towards the end of the quarter, these markets were increasingly driven by heightened concerns over the deteriorating situation in Greece and any negative implications that could have for the Eurozone as a whole.

In the UK, economic data tended to fall short of expectations although a particular bright spot was the rate of average earnings growth which rose significantly more than expected with data (for April) released in June. The previous month, sterling bond markets had taken the General Election in their stride encouraged by the result of an overall Tory majority.

Activity during the quarter was modest with the fund subscribing to just one new issue in respect of multi-national banking and financial services group Wells Fargo. Reflecting the fact that yields at the end of June were considerably higher than in March, the relative short duration position of the fund was reduced and stood at 9.0 years versus 9.6 years for the benchmark. This tactical move was achieved by reducing the short position in Long Gilt Futures.

## RISK CONSIDERATIONS

More than 35% of the property of the fund may be invested in Government securities. The fund uses derivatives for specific investment purposes. This involves a higher degree of risk and may lead to a higher volatility in the unit prices of the fund. As a result of the annual management charge being charged wholly to capital, the distributable income of the Fund may be higher, but the capital value of the Fund may be eroded, which may affect future performance.

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