

Charity Equity Fund

Q1 2018

For eligible charities only.
All data expressed as at 29th March 2018

Investment objective and policy

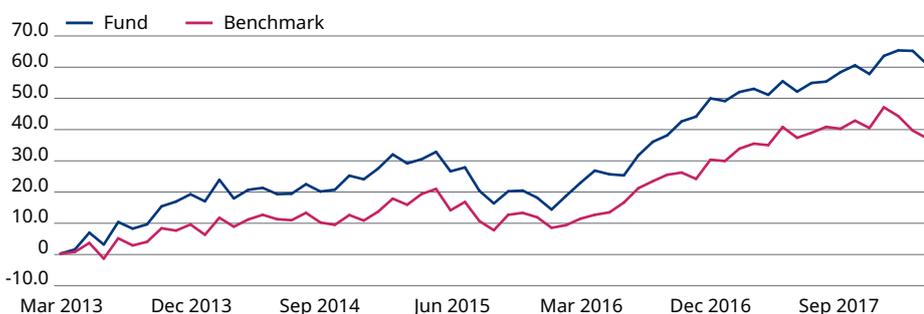
The Charity Equity Fund aims to provide participating charities with a total return (income and capital growth) in excess of the FTSE All-Share Index over five year rolling periods. In order to achieve this objective, the Fund may invest in securities anywhere in the world, although investment will be predominantly in good quality UK equities.

Performance analysis

Performance (%)	1 month	3 months	6 months	YTD	1 year	3 years	5 years	10 years
Fund	-2.7	-1.7	1.6	-1.7	5.2	24.9	61.7	168.8
Benchmark	-1.8	-6.9	-2.3	-6.9	1.2	18.6	37.6	90.6

Discrete yearly performance (%)	Q1 2017 – Q1 2018	Q1 2016 – Q1 2017	Q1 2015 – Q1 2016	Q1 2014 – Q1 2015	Q1 2013 – Q1 2014
Fund	5.2	24.9	-4.9	9.7	18.0
Benchmark	1.2	22.0	-3.9	6.6	8.8

Performance over 5 years (%)



The return received may rise or fall as a result of currency fluctuations.

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

Income payments

2018	Ex-distribution date	Payment date	Rate per unit
Interim	29 th December 2017	28 th February 2018	3.3p
Quarterly	30 th September 2017	30 th November 2017	4.0p
Final	30 th June 2017	31 st August 2017	4.5p
Quarterly	31 st March 2017	31 st May 2017	2.75p

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Kevin Murphy & Nick Kirrage
Fund Managers



Technical information

Fund launch date	3 rd March 1992
Total fund size (£)	203 million
Total number of holdings	37
Unit price end of month (£)	1,096.00 GBX
Benchmark	FTSE All-Share Total Return
Managed fund since	18 th May 2010
Investment manager	Schroders
Ethical restriction	No tobacco

Financial information

	Fund	Benchmark
Annual volatility (%)	13.2	12.9
Alpha (%)	2.5	-
Beta	0.9	-
Information ratio	0.3	-
Sharpe ratio	0.5	0.4
Predicted tracking error (%)	4.2	-
P/Book value	1.3	1.5
P/E ratio	15.4	13.9
Predicted P/E ratio	13.1	14.2
ROE (%)	8.9	14.9
Dividend yield (%)	4.0	3.8
3 year earnings growth (%)	0.4	9.3

The above ratios are based on bid-to-bid price based performance data. These financial ratios refer to the average of the equity holdings contained in the fund's portfolio and in the benchmark (if mentioned) respectively.

Purchase information

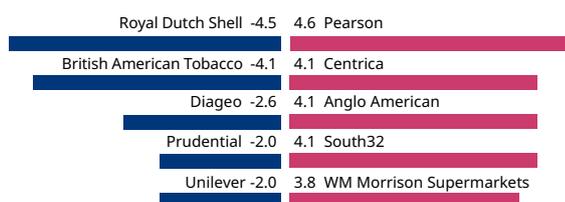
SEDOL	Acc: 0775591 Inc: 0775580
Bloomberg	Acc: SCHCHEA:LN Inc: SCHCHEI:LN
ISIN	Acc: B0007755910 Inc: B0007755803
Fund base currency	GBP
Dealing frequency	Daily (16:00 GMT)
Ongoing charges	0.62%
Minimum investment amount	£1,000

Holdings analysis

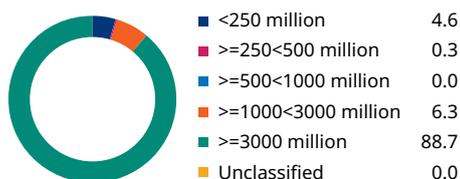
Top 10 holdings	Sector	% NAV
HSBC Holdings	Financials	5.3
BP	Oil & gas	5.2
Pearson	Consumer services	4.9
Anglo American	Basic materials	4.8
Centrica	Utilities	4.5
Barclays	Financials	4.2
South32	Basic materials	4.1
Standard Chartered	Financials	4.0
WM Morrison Supermarkets	Consumer services	4.0
Royal Bank of Scotland	Financials	3.9
Total		44.8

Underweights (%)

Overweights (%)

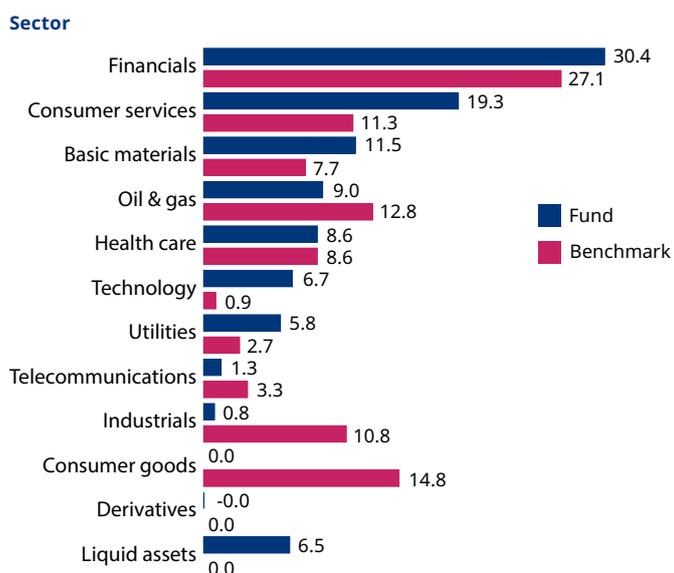


Market cap split (%)



Overweights and underweights data are based on Fund's exposure to holdings grouped by name.

Asset allocation (%)



Liquid Assets contain cash, deposits and money market instruments with maturities of up to 397 days, which are respectively not part of the core investment objective and policy. The commitment linked to the equity index futures contracts, if present, is deducted from cash. Source: Schroders.

Performance and portfolio activity

The Fund outperformed over the quarter. The Fund is well diversified by sector, with overweight positions in Financials (HSBC, Standard Chartered and Royal Bank of Scotland) and Consumer Services (Pearson and WM Morrison) offset by a large underweight to Industrials and a zero weight in Consumer Goods. The managers hold about 11% of the Fund in non-UK stocks, predominantly in established US technology stocks Cisco, HP and Intel.

Anglo American, the UK listed miner, was the largest contributor to outperformance versus the FTSE All Share Index. The market reacted favourably to the business reporting excellent full year results, including a declaration of its highest dividend for a decade. Centrica also enjoyed a strong quarter after a difficult previous quarter. The business still has a long way to go, but the team feel the valuation discounts a whole host of negative outcomes which offers satisfactory upside for the associated risk. Outperformance over the first quarter was also characterised by not owning bond proxy tobacco businesses such as British American Tobacco and Imperial Brands over which the team have repeatedly aired their concerns on valuation grounds (and cannot be owned).

On the negative side, Debenhams was the largest detractor of returns in the quarter. The UK retailer's shares suffered as it communicated a post-Christmas profit warning due to difficult seasonal trading. While its balance sheet is currently viable, there is no doubt that Debenhams requires an improvement in sales to drive the share price higher. Another high street retailer, Marks and Spencer suffered a poor quarter. The managers added to the position to take advantage of the share price weakness.

The latest quarter's performance highlights the tendency of Value strategies to produce periods of varying returns, both in absolute and relative terms. Over 2017, the Fund had been lagging the index and peer group as growth and momentum drove market returns. As of 31 March, the Fund is now sitting in the first quartile, while outperforming the FTSE All Share by +4% over 1 year and over 5 and 10 years the Fund has outperformed the index by +24.3% and +78.5% respectively. We retain confidence in the team and the robust nature of their investment process as the managers have stood firm to their approach, an important consideration when choosing fund managers for long-term investment and are reassured by the long-term outperformance of the strategy relative to the index and peers.

**For further information, please contact
Jeremy Barker, Portfolio Director, on 020 7658 1107
or jeremy.barker@cazenovecapital.com**

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