

The Income Trust for Charities

Q3 2017

For eligible charities only.
All data expressed as at 29th September 2017

Investment objective and policy

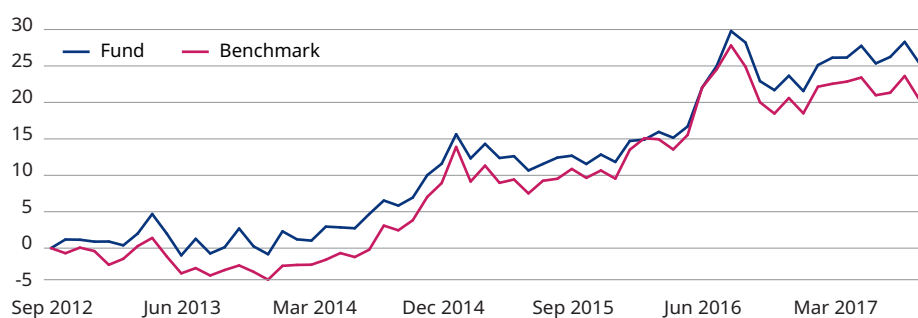
The Income Trust for Charities aims to provide a high and secure level of income through predominantly investing in United Kingdom Government and other fixed interest securities, or derivatives thereof. The Trust may invest up to 20 per cent of its net asset value on a currency hedged basis in bonds 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 16th January 2015 the Charity Fixed Interest Fund merged into The Income Trust for Charities.

Performance analysis

Performance (%)	1 month	3 months	6 months	YTD	1 year	3 years	5 years	10 years
Fund	-2.3	0.1	-0.6	1.4	-2.2	18.5	25.4	80.3
Benchmark	-2.6	-0.5	-1.7	-0.1	-3.6	17.5	20.4	79.0

Discrete yearly performance (%)	Q3 2016 – Q3 2017	Q3 2015 – Q3 2016	Q3 2014 – Q3 2015	Q3 2013 – Q3 2014	Q3 2012 – Q3 2013
Fund	-2.2	13.8	6.5	5.7	0.1
Benchmark	-3.6	12.6	8.2	5.7	-3.0

Performance over 5 years (%)



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.

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

2016/2017	Ex-distribution date	Payment date	Rate per unit
Interim	30 th April 2017	15 th June 2017	0.50p
Final	31 st January 2017	15 th March 2017	0.50p
Interim	31 st October 2016	15 th December 2016	0.50p
Interim	31 st July 2016	15 th September 2016	0.50p
Interim	30 th April 2016	15 th June 2016	0.50p

Alex Smitten
Fund Manager



Technical information

Fund launch date	31 st October 1997
Total fund size (£)	42.1 million
Total number of holdings	33
Unit price end of month (p)	66.40
Benchmark	FTSE Government All Stocks Index
Managed Fund since	1 st December 2000
Ethical restriction	No tobacco

Financial information

	Fund
Effective duration of fund in years	10.44
Effective duration of index in years	11.07
Effective yield (%)	1.50
Distribution yield (%)	3.0
Average credit rating	AA-
Annual volatility over 3 years (%)	5.93
Dividend	0.5

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.

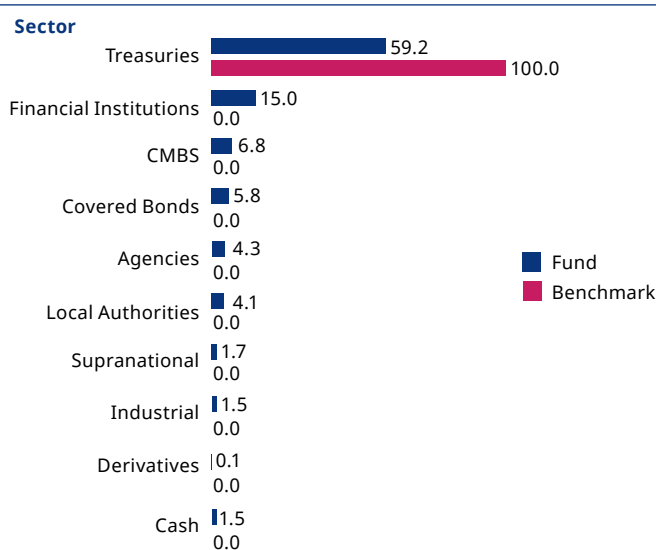
Technical information

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

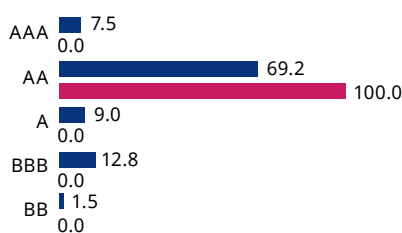
Holdings analysis

Top 10 holdings	Sector	% NAV
United Kingdom Gilt Bond 4.25% 07/12/2055	Treasuries	10.9
United Kingdom Gilt Bond 4.25% 07/03/2036	Treasuries	9.9
United Kingdom Gilt Bond 4.75% 07/12/2038	Treasuries	9.7
United Kingdom Gilt Bond 0.5% 22/07/2022	Treasuries	7.7
United Kingdom I/L Gilt Bond 0.125% 22/03/2024	Treasuries	6.7
United Kingdom Gilt Bond 4.25% 07/12/2040	Treasuries	6.4
United Kingdom Gilt Bond 4.25% 07/12/2046	Treasuries	5.4
Guernsey Government Bond 3.375% 12/12/2046	Local Authorities	4.1
Friends Life Holdings 12% 21/05/2021	Financial Institutions	2.8
Telereal Securitisation 4.9741% 10/12/2033	CMBS	2.7
Total		66.3

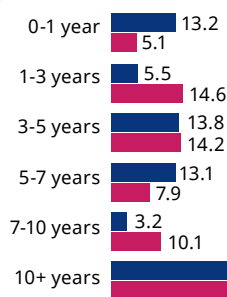
Asset allocation (%)



Fixed Income Rating



Duration



Credit ratings are calculated using asset ratings from different rating agencies.
Source: Schroders.

Performance and portfolio activity

The Fund outperformed its benchmark over the period.

10 year Gilt yields started the period at 1.26%, fell to 0.97% and finished at 1.36%. Sterling investment grade corporate bond spreads tightened further to match post financial crisis lows. This reflected the strong performance by risk markets in general.

Remaining modestly shorter in maturity than the benchmark helped relative performance as yields rose. The Fund's large exposure to credit also added value as spreads contracted and corporate bonds outperformed Gilts.

The maturity profile of the Fund remained short relative to the benchmark, with duration of 10.4 years vs 11.1 years. The holding of AAA-rated Lloyds Bank covered bonds was sold down and reinvested in two longer bonds issued by AAA-rated Nordic Investment Bank and AA-rated Network Rail. Overall, the holdings of corporate bonds remained pretty steady at just below 40%.

More volatility of yields should be expected going forward and this will present more duration management opportunities. As regards investment grade corporate bonds, the reasons for owning them are still valid given the supportive back drop of modest growth and low interest rates. Having a team of skilled credit analysts will likely become increasingly useful in avoiding problem issuers given the relative tightness of spreads. The Fund's exposure to credit is the lowest for some time and therefore has scope to take advantage of any meaningful spread widening.

**For further information, please contact
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