Cazenove Capital

Part of the Schroders Group

The Income Trust for Charities

Q2 2017

For eligible charities only.
All data expressed as at 30th June 2017

Investment objective and policy

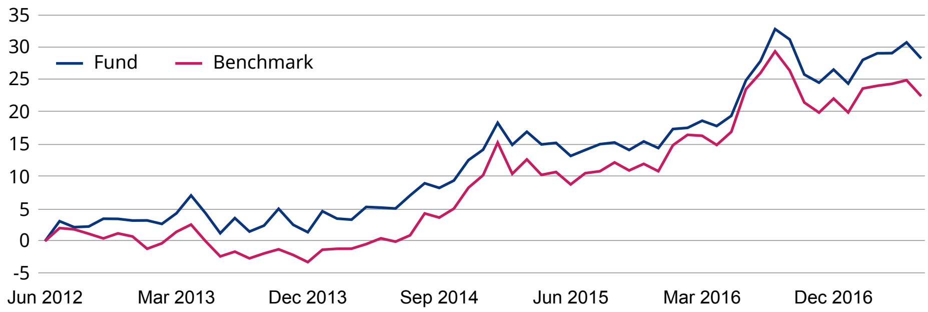
The Income Trust for Charities aims to provide a high and secure level of income through predominantly investing in United Kingdom Government and other fixed interest securities, or derivatives thereof. The Trust may invest up to 20 per cent of its net asset value on a currency hedged basis in bonds 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	-1.9	-0.6	1.4	1.4	2.7	22.0	28.2	87.1
Benchmark	-2.0	-1.3	0.3	0.3	-0.9	22.5	22.4	87.2

Discrete yearly performance (%)	1 Jul 2016 – 30 Jun 2017	1 Jul 2015 – 30 Jun 2016	1 Jul 2014 – 30 Jun 2015	1 Jul 2013 – 30 Jun 2014	1 Jul 2012 – 30 Jun 2013
Fund	2.7	10.3	7.7	3.8	1.2
Benchmark	-0.9	13.5	8.9	2.3	-2.4

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. 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

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

Alex Smitten
Fund manager

Technical information

Fund launch date	31st October 1997
Total fund size (£)	43.1 million
Total number of holdings	31
Unit price end of month (p)	66.86
Benchmark	FTSE Government All Stocks Index
Managed fund since	1st December 2000
Ethical restriction	No tobacco

Financial information

	Fund
Effective duration of fund in years	10.37
Effective duration of index in years	10.84
Effective yield (%)	1.46
Distribution yield (%)	3.0
Average credit rating	AA-
Annual volatility over 3 years (%)	5.73

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.

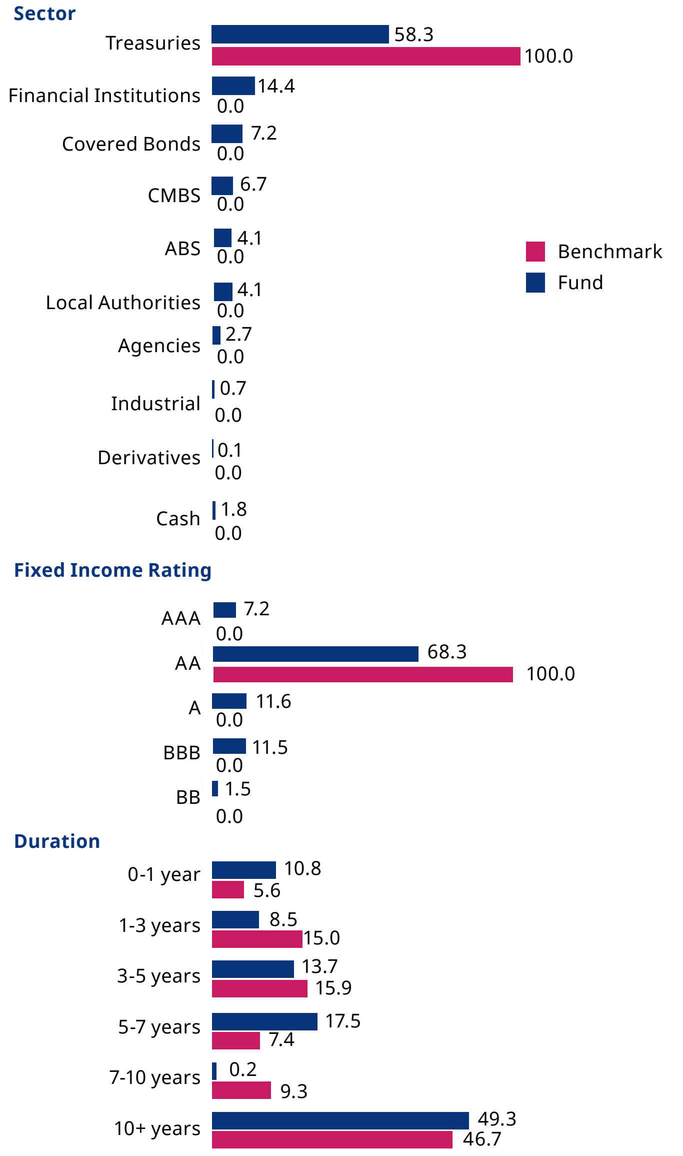
Technical information

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	10.7
United Kingdom Gilt Bond 4.25% 07/03/2036	Treasuries	9.8
United Kingdom Gilt Bond 4.75% 07/12/2038	Treasuries	9.5
United Kingdom Gilt Bond 0.5% 22/07/2022	Treasuries	7.6
United Kingdom I/L Gilt Bond 0.125% 22/03/2024	Treasuries	6.6
United Kingdom Gilt Bond 4.25% 07/12/2040	Treasuries	6.3
United Kingdom Gilt Bond 4.25% 07/12/2046	Treasuries	5.3
Guernsey Government Bond 3.375% 12/12/2046	Local Authorities	4.1
Lloyds Bank 5.125% 07/03/2025	Covered Bonds	3.0
Annington Finance 0% 10/01/2023	Covered Bonds	2.8
Total		**65.8**

Asset allocation (%)



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

Performance and portfolio activity

During the period, investment grade corporate bond spreads tightened to 12 month lows. This was a global theme. Once again bonds of financial issuers outperformed. 10 year gilt yields rose 0.1% over the quarter.

The Fund returned approximately -0.7% over the quarter compared to the Index return of -1.3%. Remaining modestly shorter in maturity than the index 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 to the benchmark at 10.4 years to 10.8 years.

The holding of Santander UK covered bonds was sold down and the holding of Tesco Property secured bonds was reduced after strong performance. This took the holdings of corporate bonds down to 40% from 43%.

Politics has arguably been the dominating factor in markets for the last year or more. With political uncertainty in Europe dramatically reduced in the wake of the French general election, one of the caps on German bond yields was removed as their attraction as a safe haven was reduced. There is still political uncertainty in the UK after the government's failure to retain its majority in the House of Commons and ongoing Brexit developments. It also very much remains to be seen whether the Trump administration will succeed in its aim to significantly cut taxes and give a meaningful fiscal boost to the US economy. It does appear that any chance of that happening at all soon has been written off already by markets given that only two 0.25% rate hikes are expected from the Fed over the next two years. We suspect that will prove too sanguine a view and the very vocal comments from Central Bank chiefs seem like a concerted effort to remind markets just how extremely accommodative monetary policy is. Moreover, they have been happy to share their concerns on the amount of credit growth and potential mispricing of risk in some asset classes. All of this points to the fact that monetary policy will tighten more quickly than markets expect. What is uncertain is the mix of rate rises and the withdrawal of liquidity – i.e. the unwinding of quantitative easing. This debate and hints from the Central Banks will likely be the driving force behind bond markets over the rest of 2017.

For further information, please contact
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