

# The Income Trust for Charities

Q1 2018

For eligible charities only.  
All data expressed as at 29<sup>th</sup> March 2018

## Investment objective and policy

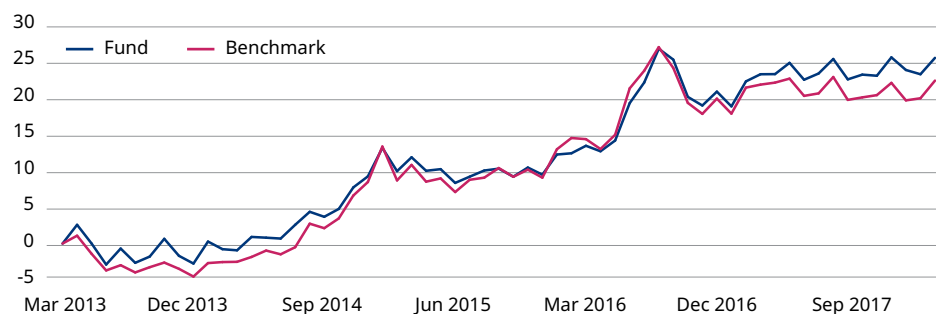
The Income Trust for Charities aims to provide a high and secure level of income through investing predominantly in United Kingdom Government and other fixed interest securities, or derivatives thereof. The Trust may invest up to 20 per cent of its net asset value on a currency hedged basis in bonds 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<sup>th</sup> 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
<b>Fund</b>	1.9	-0.1	2.4	-0.1	1.9	12.4	25.9	74.5
Benchmark	2.0	0.3	2.2	0.3	0.5	10.6	22.8	72.9

Discrete yearly performance (%)	Q1/2017 – Q1/2018	Q1/2016 – Q1/2017	Q1/2015 – Q1/2016	Q1/2014 – Q1/2015	Q1/2013 – Q1/2014
<b>Fund</b>	1.9	8.8	1.4	13.1	-1.0
Benchmark	0.5	6.6	3.2	13.9	-2.6

## 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.

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
Final	31 <sup>st</sup> January 2018	15 <sup>th</sup> March 2018	0.50p
Interim	31 <sup>st</sup> October 2017	15 <sup>th</sup> December 2017	0.50p
Interim	31 <sup>st</sup> July 2017	15 <sup>th</sup> September 2017	0.50p
Interim	30 <sup>th</sup> April 2017	15 <sup>th</sup> June 2017	0.50p

Alex Smitten  
Fund Manager



## Technical information

Fund launch date	31 <sup>st</sup> October 1997
Total fund size (£)	39.3 million
Total number of holdings	31
Unit price end of month (p)	67.00
Benchmark	FTSE A Government Securities UK Gilts All Stocks TR
Managed Fund since	1 <sup>st</sup> December 2000
Ethical restriction	No tobacco

## Financial information

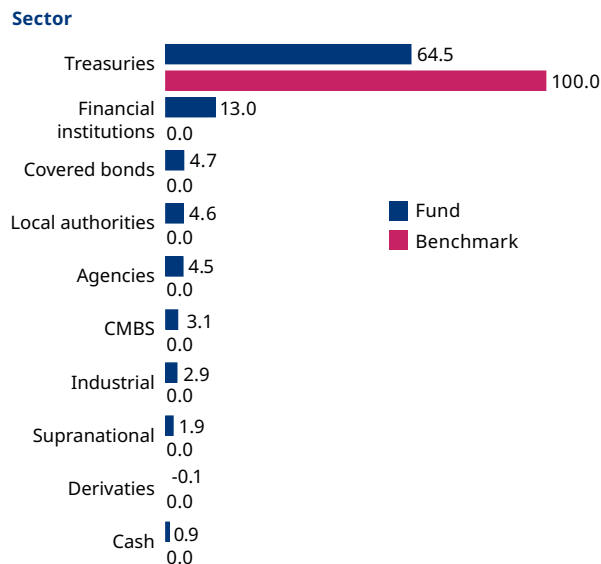
	Fund
Effective duration of fund in years	11.11
Effective duration of index in years	11.35
Effective yield (%)	1.50
Distribution yield (%)	3.0
Option adjusted spread of fund (bp)	38
Option adjusted spread of index (bp)	0
Average credit rating	AA-
Annual volatility over 3 years (%)	5.71

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.

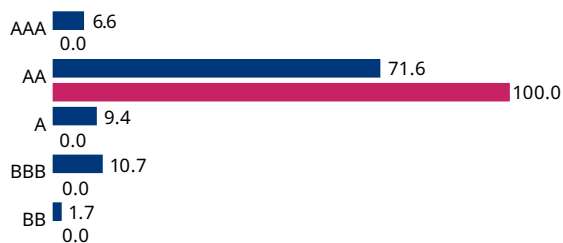
## Technical information

SEDOL	Acc: BF31DF0 Inc: 0169332
Bloomberg	Inc: CAZIFCI:LN
ISIN	Acc: GB00BF31DF00 Inc: GB0001693323
Fund base currency	GBP
Dealing frequency	Daily (12:00 GMT)
Ongoing charges	0.4%
Minimum investment amount	£10,000

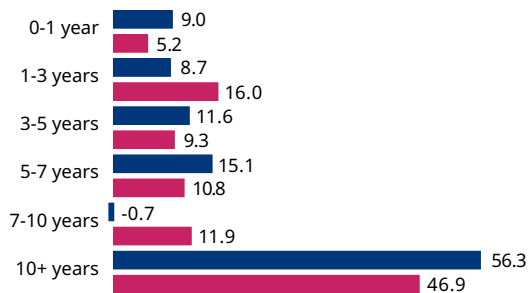
## Asset allocation (%)



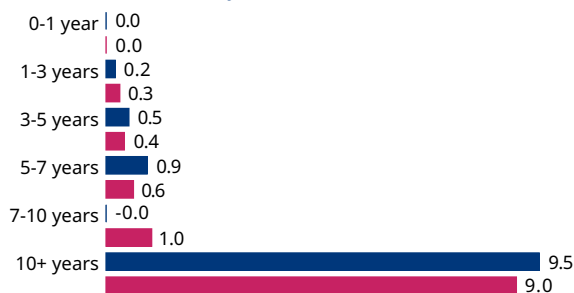
### Fixed income rating



### Duration



### Contribution to duration (in years)



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

## Holdings analysis

Top 10 holdings	Sector	% NAV
United Kingdom Gilt Bond 4.25% 07/12/2055	Treasuries	12.2
United Kingdom Gilt Bond 4.25% 07/03/2036	Treasuries	10.7
United Kingdom Gilt Bond 4.75% 07/12/2038	Treasuries	10.6
United Kingdom Gilt Bond 0.5% 22/07/2022	Treasuries	8.2
United Kingdom I/L Gilt Bond 0.125% 22/03/2024	Treasuries	7.2
United Kingdom Gilt Bond 4.25% 07/12/2040	Treasuries	7.0
United Kingdom Gilt Bond 4.25% 07/12/2046	Treasuries	6.0
Guernsey Government Bond 3.375% 12/12/2046	Local authorities	4.6
Friends Life Holdings 12% 21/05/2021	Financial institutions	3.0
United Kingdom Gilt Bond 1.5% 22/01/2021	Treasuries	2.6
<b>Total</b>		<b>72.1</b>

## Performance and portfolio activity

Since January, economic data has generally failed to meet expectations – partly due to over optimism and partly due to weakening data, particularly in the Eurozone. This has seen a modest pull back in yields. The net effect on 10 year gilt yields was a rise of 0.16% but due to the yields on the longest maturity gilts actually falling, returns at the index level were actually positive on the quarter.

The Fund's large exposure to credit hurt performance as spreads widened and corporate bonds underperformed Gilts. The maturity profile remained short to the benchmark with duration of 11.1 vs 11.4 years. The Fund further reduced its holdings of corporate bonds to around 34% to increase the average credit quality modestly.

The outlook has not changed much over the last 3 months. However, arguably, markets have caught up with reality in terms of generally pricing in higher growth and inflation rates over coming quarters. At the same time, a slight fall in the momentum of some economic indicators in parts of the developed world make the reaction function of central banks slightly harder to gauge.

With the complications of Brexit still hanging over the UK, markets in general are likely to maintain a rather nervous disposition with the probability that yields may stay lower than might normally be the case. Notwithstanding that, the manager sees little absolute value in sterling bond markets overall but still relatively comfortable with investment grade corporate bonds given the available uplift in yield relative to gilts. However given the increased uncertainty globally (most recently enhanced by the "trade wars" backdrop) the manager is happy reducing overall risk by further cutting the corporate bond holdings having had such a good run over the last couple of years or so.

**For further information, please contact  
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