

Charity Equity Fund

Q4 2017

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

Investment objective and policy

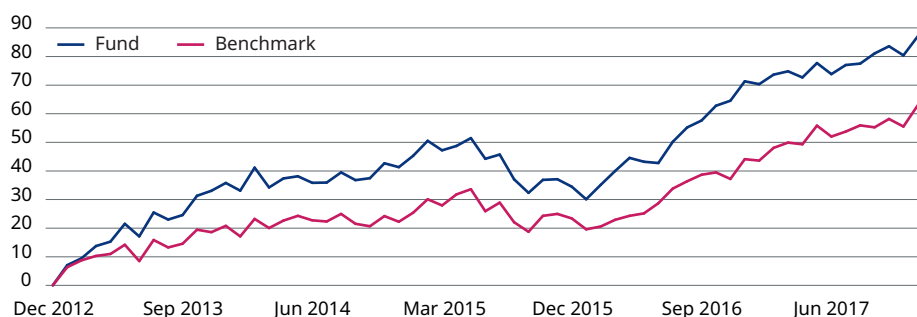
The Charity Equity Fund aims to provide participating charities with a total return (income and capital growth) in excess of the FTSE All-Share Index over five year rolling periods. In order to achieve this objective, the Fund may invest in securities anywhere in the world, although investment will be 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	3.7	3.3	7.6	9.2	9.2	32.4	87.1	139.4
Benchmark	4.6	5.0	7.2	13.1	13.1	33.3	63.0	84.5

Discrete yearly performance (%)	Q4 2016 – Q4 2017	Q4 2015 – Q4 2016	Q4 2014 – Q4 2015	Q4 2013 – Q4 2014	Q4 2012 – Q4 2013
Fund	9.2	27.4	-4.8	4.1	35.8
Benchmark	13.1	16.8	1.0	1.2	20.8

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

Income payments

2017	Ex-distribution date	Payment date	Rate per unit
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
Interim	30 th December 2016	28 th February 2017	3.25p

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Kevin Murphy & Nick Kirrage

Fund Managers

Technical information

Fund launch date	3 rd March 1992
Total fund size (£)	205.6 million
Total number of holdings	36
Unit price end of month (£)	1,115.00 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 (%)	13.1	12.6
Beta	0.9	-
Predicted tracking error (%)	4.2	-
P/E ratio	17.7	17.9
Dividend yield (%)	3.7	3.5

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.

Purchase information

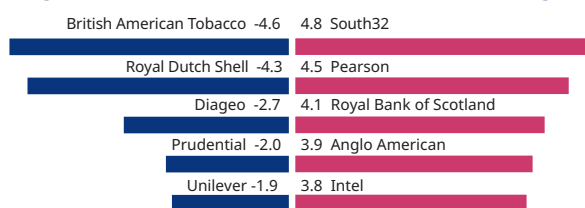
SEDOL	Acc: 0775591 Inc: 0775580
Bloomberg	Acc: SCHCHEA:LN Inc: SCHCHEI:LN
ISIN	Acc: B0007755910 Inc: B0007755803
Fund base currency	GBP
Dealing frequency	Daily (16:00 GMT)
Annual management charge	0.5%
Minimum investment amount	£1,000

Holdings analysis

Top 10 holdings	Sector	% NAV
HSBC Holdings	Financials	5.9
BP	Oil & Gas	5.6
South32	Basic Materials	4.8
Pearson	Consumer Services	4.7
Anglo American	Basic Materials	4.5
Standard Chartered	Financials	4.2
Royal Bank of Scotland	Financials	4.1
Royal Dutch Shell	Oil & Gas	4.0
Barclays	Financials	4.0
Intel	Technology	3.8
Total		45.5

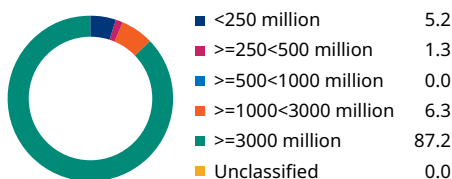
Underweights (%)

Overweights (%)



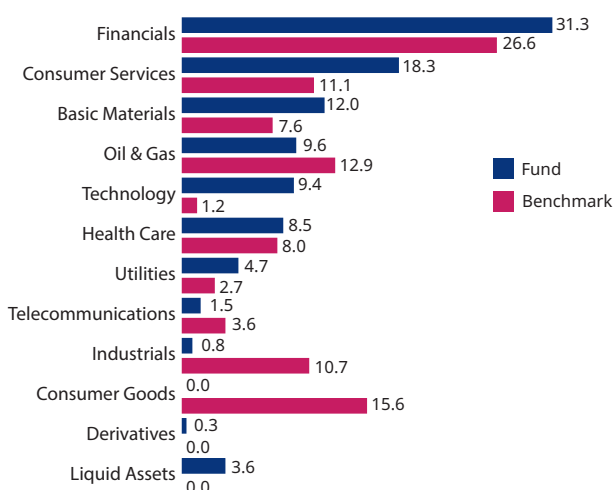
Compared to the benchmark.

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.

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Performance and portfolio activity

It was a more difficult relative quarter for the Value style of investing. Companies worth noting include Centrica, a UK power provider which performed poorly on the back of a profit warning. This was due to a combination of structural and cyclical headwinds, while the company lost 823,000 customers between June and October this year, prompting its largest ever one-day share price decline. However, there were also positives: cost savings came in ahead of schedule and the profitability of the UK retail division was in line with forecasts. While the profit warning raises several questions, the company is now very cheap, both in absolute terms and relative to peers. The manager took advantage of this share price weakness to increase the position.

Another negative to performance was supermarket WM Morrison which reported a 2.5% increase in like-for-like sales for the three months to end-October, which fell short of the market's expectations, causing the share price to decline. Since taking over in 2015, CEO David Potts has undertaken various cost savings initiatives alongside a focus on improving customer service and deals to provide groceries to other retailers, such as Amazon and McColls.

Educational publisher Pearson has gone from the largest individual detractor in the third quarter, to the largest individual contributor to returns in the fourth – which serves to highlight ongoing short-termism from the market. Pearson released a trading statement showing good progress over the last nine months, while the group's cost-cutting drive continues apace and it has also made significant progress in shifting sales towards digital and services. There is a long way to go before Pearson reflects fair value, but the share price recovery is a welcome development.

Information technology infrastructure services business Computacenter performed well after management said that its full year results would beat its previous expectations. We established the position in the third quarter of 2017 as the balance sheet is strong; it is net cash, leases are only 1% of sales and there isn't a pension deficit.

The manager has continued to rotate the portfolio out of stocks the Fund has profited from in recent years. As an example, having established a position in Sports Direct International in 2016, the shares have performed well over the past 12 months and are approaching our estimate of fair value, so profits were taken during the quarter. The number of new opportunities remains constrained as the benign, supportive backdrop has limited the number of stocks that have alarmed the market. Despite low volatility at an index level, there are some stocks that have struggled.

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