



Charity Value and Income Fund

Annual Long Report

for the year ended 31 December 2016

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Charity Value and Income Fund Report of the Manager

Smith & Williamson Fund Administration Limited, as Manager, presents herewith the Annual Long Report (“the Report”) for Charity Value and Income Fund for the year ended 31 December 2016.

Charity Value and Income Fund (“the Scheme” or “the Fund”) is a Common Investment Fund established by a Scheme of the Charity Commission for England and Wales (“the Commission”) dated 11 April 2007, made pursuant to the powers given to it by the Charities Act 1993, section 24. The registered charity number is 1119289. The Scheme is not an authorised unit trust within the meaning of the Financial Services and Markets Act 2000 (“FSMA”). The Scheme is operated by Smith & Williamson Fund Administration Limited as an unregulated collective investment scheme in accordance with the Financial Conduct Authority (“the FCA”) rules, the Collective Investment Schemes sourcebook (“COLL”) and the Investment Funds sourcebook (“FUND”), as issued and amended by the FCA. As the Fund is a non-Undertakings for Collective Investments in Transferable Securities (“non-UCITS”) retail scheme, the Manager also acts as Alternative Investment Fund Manager (“AIFM”) in order to comply with the Alternative Investment Fund Manager’s Directive (“AIFMD”).

The Manager is of the opinion that it is appropriate to continue to adopt the going concern basis in the preparation of the accounts as the assets of the Scheme consist predominantly of securities which are readily realisable and, accordingly, the Scheme has adequate financial resources to continue in operational existence for the foreseeable future. Further, appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of these accounts and applicable accounting standards have been followed.

The base currency of the Scheme is UK sterling.

The Scheme Particulars can be inspected at the offices of the Manager.

A copy of the Scheme Particulars are available free of charge from the Manager.

Investment objective and policy

The objective of the Scheme is to achieve long-term capital and income growth through investment primarily in UK equities with an above-average yield. The Scheme may also from time to time invest in other securities, including UK government securities, other fixed interest securities, convertible securities and cash.

Investment policy

The investments for the Scheme will be made principally in UK companies listed on the London Stock Exchange, typically within the FTSE All Share Index or quoted on the Alternative Investment Market. As such, both income received from those investments and their capital valuation will be subject to fluctuation. However, the Investment Manager will endeavour to manage the portfolio in a way that leads to an increasing income year on year, and to invest in a portfolio whose volatility is not significantly different to that of the FTSE All Share Index. The Investment Manager’s portfolios historically have tended to have volatility similar to that of the FTSE All Share Index.

Benchmark and performance target

The performance target will be to outperform the FTSE All Share Index on a total return basis. The Scheme will be benchmarked against the FTSE All Share Index.

Changes affecting the Scheme in the year

On 29 January 2016, BNY Mellon Trust & Depository (UK) Limited resigned as Trustee of the Scheme. National Westminster Bank Plc Trustee and Depository Services was appointed on 30 January 2016.

On 17 October 2016 the investment objective was clarified to say that the Scheme “may” invest in convertible securities rather than “will” invest, as previously stated.

Further information in relation to the Scheme is illustrated on page 31.

In accordance with the requirements of The Charities (Accounts and Reports) Regulations 2008 and the Scheme Particulars, we hereby approve the Report on behalf of Smith & Williamson Fund Administration Limited.

P. Maher

T. Quayum

Directors

Smith & Williamson Fund Administration Limited

12 May 2017

Statement of the Manager's responsibilities

The Manager is required to prepare financial statements for each annual accounting period which give a true and fair view of the financial affairs of the Fund as at the end of the financial period and of its net revenue and the net capital gains on the property of the Fund for the year. In preparing the financial statements, the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- comply with the disclosure requirements of the Charities Act 2011, the Charities (Accounts and Reports) Regulations 2008 ('the Regulations') and where relevant the Statement of Recommended Practice: "Financial Statements of UK Authorised Funds" issued by The Investment Association, in May 2014;
- follow generally accepted United Kingdom accounting principles (UK accounting standards and applicable law) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue in operation;
- keep proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- make judgements and estimates that are reasonable and prudent; and
- take reasonable steps for the prevention and detection of fraud and other irregularities.

The Manager is responsible for the management of the Fund in accordance with the Scheme Particulars.

Report of the Trustee to the unitholders of Charity Value and Income Fund

Trustee's responsibilities

The Trustee must ensure that the Scheme is managed in accordance with the Financial Conduct Authority's Investment Funds Sourcebook (the "Regulations"), the Scheme Order and Scheme Particulars (together "the Scheme documents") as detailed below.

The Trustee must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Scheme and its investors.

The Trustee is responsible for the safekeeping of the assets of the Scheme in accordance with the Regulations.

The Trustee must ensure that:

- the Scheme's cash flows are properly monitored and that cash of the Scheme is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of units are carried out in accordance with the Regulations and the Scheme documents;
- the value of units of the Scheme are calculated in accordance with the Regulations and the Scheme documents;
- any consideration relating to transactions in the Scheme's assets is remitted to the Scheme within the usual time limits;
- the Scheme's income is applied in accordance with the Regulations and the Scheme documents; and
- the instructions of the Alternative Investment Fund Manager ("the AIFM") are carried out (unless they conflict with the Regulations).

The Trustee also has a duty to take reasonable care to ensure that the Scheme is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Scheme.

Report of the Trustee to the unitholders of Charity Value and Income Fund

Having carried out such procedures as we consider necessary to discharge our responsibilities as Trustee of the Scheme, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Scheme, acting through the AIFM, has been managed in accordance with the Regulations and the scheme documents.

National Westminster Bank Plc
Trustee and Depositary Services
12 May 2017

Independent auditor's report to the charity trustees of Charity Value and Income Fund ("the Fund")

We have audited the financial statements of the Fund for the year ended 31 December 2016 which comprise the Statement of Total Return, the Statement of Change in Net Assets Attributable to Unitholders, the Balance Sheet, the Related Notes and Distribution Table and the accounting policies set out on pages 7 to 8. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the charity trustees, as a body, in accordance with Section 144 of the Charities Act 2011 and regulations made under Section 154 of that Act. Our audit work has been undertaken so that we might state to the charity trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Manager, Smith & Williamson Fund Administration Limited ("the Manager") and Auditor

As explained more fully in the Statement of Manager's Responsibilities set out on page 3, the Manager is responsible for the preparation of financial statements and for being satisfied that they give a fair view.

We have been appointed as auditor under Section 144 of the Charities Act 2011 and report in accordance with regulations made under Section 154 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Manager; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual long report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Fund's affairs as at 31 December 2016 and of the incoming resources and application of the resources of the Fund for the year then ended;
- give a true and fair view of the movement in the net assets of the Fund for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Independent auditor's report to the charity trustees of Charity Value and Income Fund ("the Fund") (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the annual long report is inconsistent in any material respect with the financial statements;
or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Richard Thacker (Senior Statutory Auditor)
for and on behalf of Beavis Morgan Audit Limited
Chartered Accountants
Statutory Auditor
82 St John Street
London EC1M 4JN
12 May 2017

Beavis Morgan Audit Limited is eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006.

Accounting policies of Charity Value and Income Fund for the year ended 31 December 2016

a Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments. They have been prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and in accordance with the Statement of Recommended Practice for UK Authorised Funds ("the SORP") issued by The Investment Association in May 2014 as applicable to Charity Common Investment Funds and The Charities (Accounts and Reports) Regulations 2008. The Fund has elected to early adopt the amendments to FRS 102 in respect of the fair value hierarchy disclosure requirements for financial instruments held at fair value as permitted for authorised funds.

As described in the Manager's report, the Manager continues to adopt the going concern basis in the preparation of the accounts.

b Valuation of investments

The purchase and sale of investments are included up to close of business on 30 December 2016 being the last business day.

Purchases and sales of investments are recognised when a legally binding and unconditional right to obtain or an obligation to deliver an asset arises.

Investments are stated at their fair value at the balance sheet date. In determining fair value, the valuation point is global close of business on 30 December 2016 with reference to quoted bid prices from reliable external sources.

Where an observable market price is unreliable or does not exist, investments are valued at the Manager's best estimate of the amount that would be received from an immediate transfer at arm's length.

c Foreign exchange

The base currency of the Fund is UK sterling which is taken to be the Fund's functional currency.

All transactions in foreign currencies are converted into sterling at the rates of exchange ruling at the dates of such transactions. The resulting exchange differences are disclosed in note 2 of the Notes to the financial statements.

Any foreign currency assets and liabilities at the end of the accounting period are translated at the exchange rate prevailing at the balance sheet date.

d Revenue

Revenue is recognised in the Statement of total return on the following basis:

Dividends from quoted equity instruments and non equity shares are recognised as revenue, net of attributable tax credits, on the date when the securities are quoted ex-dividend.

Overseas dividends are recognised as revenue gross of any withholding tax and the tax consequences are recognised within the tax expense.

Dividends from unquoted equity shares are recognised when declared.

Special dividends are treated as either revenue or a repayment of capital depending on the facts of each particular case.

Interest on bank deposits and short term deposits is recognised on an accruals basis.

Ordinary scrip dividends are recognised wholly as revenue on the basis of the market values of the shares on the date that they are quoted ex-dividend. Where an enhancement is offered the amount by which the market value of the shares on the date they are quoted ex-dividend exceeds the cash dividend is taken to capital. The ordinary element of scrip dividends is treated as revenue and forms part of the Fund's distributions.

e Expenses

All expenses, other than those relating to the purchase and sale of investments are charged to the relevant unit class against revenue and are then reallocated to capital, net of any tax effect.

Bank interest paid is charged to revenue.

f Taxation

The Fund is a Registered Charity and is not subject to Income, Capital Gains and Corporation Tax.

Accounting policies of Charity Value and Income Fund (continued)

for the year ended 31 December 2016

g *Use of derivatives*

The Fund may (subject to the provisions of the Scheme) enter into derivatives and forward transactions (i.e. futures, options and contracts for differences) provided that:

- the transaction is entered into for the purpose of protection or the reduction of risk and/or the reduction of costs to the Fund;
- the Manager is satisfied that the transaction is expedient in the interests of the Fund;
- any securities to be acquired under the transaction are eligible to be held by the Fund, having regard to clause 38 of the Schemes and the investment objective and policy of the Fund; and
- the Manager is satisfied that the transaction is not speculative.

h *Distribution policies*

i *Basis of distribution*

Where income is available, distributions are made quarterly from the Fund and take the form of dividend distributions. Distributions attributable to income units are paid to unitholders. Distributions attributable to accumulation units are re-invested in the Fund on behalf of the unitholders.

ii *Unclaimed distributions*

Distributions to unitholders outstanding after 6 years are taken to the capital property of the Fund.

iii *Revenue*

All revenue is included in the final distribution with reference to policy d.

iv *Expenses*

Expenses incurred against the revenue of the Fund are included in the final distribution, subject to any expense which may be transferred to capital for the purpose of calculating the distribution, with reference to policy e.

v *Equalisation*

Group 2 units are units purchased on or after the previous XD date and before the current XD date. Equalisation applies only to group 2 units. Equalisation is the average amount of revenue included in the purchase price of group 2 units and is refunded to holders of these units as a return of capital. Being capital it is not liable to income tax in the hands of the unitholders but must be deducted from the cost of units for capital gains tax purposes. Equalisation per unit is disclosed in the Distribution table.

Investment Adviser's report

The market

In the early months of 2016 investor sentiment was extremely negative and equity markets fell heavily. In the second half of 2015 China's Gross Domestic Product ("GDP") was growing at a declining rate and the oil price was falling, and this trend continued into the New Year. Global growth forecasts were downgraded and the German banks were forced to deny that they were insolvent due to oil and commodity related losses. From mid February, confidence began to recover and in the first half of the year the FTSE All Share Index recorded a modest rise of just over 2%.

The second half of the year contained many surprises and a major change in circumstances following the unexpected result of the European Union ("EU") Referendum. Sterling fell heavily after the announcement and over the year the exchange rate against the dollar fell by 16% to \$1.23 and against the euro it fell by 14% to €1.23. UK equities rose strongly in the second half and for the year as a whole the FTSE All Share Index rose by 12.5%. Including income, the total return was +16.8%. The market rise in the second half was strongly led by the largest companies who report their earnings and dividends in dollars. Those who had forecast an immediate recession in UK economic activity in the event of the 'Brexit' outcome, revised their expectations upwards as the summer progressed. Our exporting companies reported increased demand overseas and UK consumer spending has not so far been affected by the result of the Referendum. In the second half of 2016, previously downgraded forecasts were reversed and showed again a rising trend. Forecasts for inflation in 2017 have risen following the fall in sterling.

Within the UK equity market there was a wide disparity in the second half of the year between the largest quoted companies and the mid-sized companies. The FTSE 100 Index of the largest rose by 14.4% and the more domestically focussed FTSE 250 Index of mid-sized companies rose by just 3.7%. All of the disparity occurred in the second half due to the fall in the exchange rate. The Higher Yield Index, which is dominated by oil companies, HSBC and other dollar paying companies rose by 18.8% over the year.

Overseas equities also rose during the year with the FTSE World Index recording a rise of 5.8%, measured in dollars. The election of Donald Trump as President of the USA was followed by further rises of the American market, which rose by 9.5% over the year. European equities rose during the year, led by Germany with a rise of just under 7% for the year. The gilt market has been affected significantly by these changing circumstances. In the first half of the year the FTSE All Stocks Index recorded a total return of +11.4% but in the second half the return was -1.2%. Ten year yields closed 2015 at 2.0% and fell to 0.9% at the half year. In the second half inflationary expectations began to rise following the fall in sterling, and at the end of 2016 ten year yields closed at 1.2%. Over the year as a whole the All Stocks Index gave a return of +10.1%. US Federal Funds rate rose at the end of 2015 and again at the end of 2016 and ten year Treasury bond yields rose during the year by 0.2%, to 2.5% at the end of 2016.

Source: FTSE All Share Indices.

Performance

Our portfolio contains a much higher proportion of mid-sized companies than the All Share Index, a policy which has delivered significant outperformance over the years, but not in 2016. The fall in sterling following the Referendum caused us to fall behind in this period. The total return on the units was +7.8%* for the year, well behind the All Share Index return of +16.8%. Our portfolio has less than half invested in the FTSE 100 Index stocks and the divergent returns between the FTSE 100 Index (+19.1%) and the FTSE 250 Index (+6.7%) acted as a headwind to performance. In addition there was a negative contribution to performance from the underweight positions in the mining and oil & gas sectors. In stock selection our holdings in travel & leisure were affected by negative sentiment concerning consumer spending. These negatives outweighed the strong stock selection in pharmaceuticals where Dechra Pharmaceuticals rose by 23%.

*Source: Smith & Williamson Fund Administration Limited; Bid to Bid Basis to 12pm on 30 December 2016; net income reinvested.

Portfolio

In the non-life insurance sector, our holding of Amlin was taken over for cash by the Japan's Mitsui Sumitomo Insurance company and we reinvested the proceeds in Prudential. In May we invested in Midwich Group, which was a new issue. The company distributes audio and visual equipment to a wide range of trade users. Late in the year we invested in the new issue of shares in Sanne Group, a company we had invested in when it was first quoted. The latest issue of shares funded the acquisition of a complementary financial services company. We subsequently sold the shares. We invested new money received during the year into many of the existing holdings.

Investment Adviser's report (continued)

Distribution

For the year as a whole the distribution was 4.4p, an increase of 10% compared with the 4.0p paid for 2015. We have a surplus of income to carry forward into this year.

Outlook

Though global growth is rising, the world faces many political challenges in 2017. In Europe, strains from more members of the EU may grow, especially since the election result in Italy produced another shock to pollsters. In France there will be an election with a possible change in the political climate towards the extreme right wing. In Germany Mrs Merkel faces uncertainty over her own political future, and integrating the huge influx of refugees and economic migrants is proving difficult on many levels. Emerging economies are overburdened by debt, denominated in dollars, and the strength of the dollar is adding to the burden. In the UK serious negotiations over the terms of Brexit will begin shortly and may cause more anxiety over the future of the UK economy than has been experienced so far. Consumer spending will be under renewed pressure from rising inflation at current exchange rates. Despite the worries ahead, UK Gross Domestic Product growth in 2017 has been steadily upgraded since the Referendum result and currently stands at +1.5% compared with just 0.8% which was the official forecast after the Referendum result.

Although the UK equity market has risen strongly in recent months, it remains attractively valued compared to gilt yields and base rate, now only 0.25%. In particular we believe that the mid-sized companies in our portfolio are currently fundamentally undervalued and should perform well in the year to come.

OLIM Limited

17 January 2017

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Portfolio changes

for the year ended 31 December 2016

	Cost		Proceeds
Purchases	£	Sales	£
Prudential	576,380	Cineworld Group	259,338
Midwich Group	325,958	Halma	167,190
GlaxoSmithKline	153,550	Centrica	153,541
Babcock International Group	126,958	Sanne Group	116,559
BT Group	111,841	GlaxoSmithKline	82,189
Crest Nicholson Holdings	102,024	BHP Billiton	65,508
Restaurant Group	101,139	Babcock International Group	65,221
N Brown Group	94,585	Beazley	62,145
Sanne Group	91,566	Informa	21,263
Vodafone Group	91,043	Informa rights issue	17,205
Beazley	83,973		
HSBC Holdings	54,474		
SThree	50,672		

The above represents the total purchases and the total sales in the year to reflect a clearer picture of the investment activities.

Portfolio statement

as at 31 December 2016

	Nominal value or holding	Market value £	% of total net assets
Investment			
Equities - United Kingdom 97.17% (96.64%)			
Equities - incorporated within the United Kingdom 93.99% (90.52%)			
Oil & Gas 9.71% (7.50%)			
Amec Foster Wheeler	39,000	183,300	0.83
BP	201,800	1,028,171	4.66
Royal Dutch Shell 'B'	39,562	930,894	4.22
		<u>2,142,365</u>	<u>9.71</u>
Chemicals 3.99% (3.94%)			
Croda International	16,220	517,094	2.34
Johnson Matthey	11,427	363,493	1.65
		<u>880,587</u>	<u>3.99</u>
Basic Resources 3.04% (2.14%)			
BHP Billiton	26,000	339,300	1.54
Rio Tinto	10,500	331,170	1.50
		<u>670,470</u>	<u>3.04</u>
Industrial Goods & Services 14.13% (13.03%)			
Babcock International Group	38,000	361,380	1.64
Carillion	203,000	478,268	2.17
Halma	82,800	741,888	3.36
Midwich Group	155,000	348,750	1.58
Spectris	36,000	832,680	3.77
SThree	115,000	354,488	1.61
		<u>3,117,454</u>	<u>14.13</u>
Food & Beverage 1.96% (2.64%)			
Britvic	76,500	432,990	1.96
Personal & Household Goods 7.19% (6.86%)			
Crest Nicholson Holdings	113,000	511,777	2.32
Unilever	32,700	1,075,012	4.87
		<u>1,586,789</u>	<u>7.19</u>
Health Care 8.37% (7.06%)			
Dechra Pharmaceuticals	60,500	810,700	3.67
GlaxoSmithKline	66,500	1,037,732	4.70
		<u>1,848,432</u>	<u>8.37</u>
Retail 4.83% (5.25%)			
Conviviality	360,000	776,700	3.52
N Brown Group	130,000	288,730	1.31
		<u>1,065,430</u>	<u>4.83</u>

Portfolio statement

as at 31 December 2016

	Nominal value or holding	Market value £	% of total net assets
Investment			
Equities - United Kingdom (continued)			
Equities - incorporated within the United Kingdom (continued)			
Media 4.34% (3.75%)			
Daily Mail & General Trust	30,000	233,100	1.06
Informa	107,000	724,390	3.28
		<u>957,490</u>	<u>4.34</u>
Travel & Leisure 9.85% (13.46%)			
Cineworld Group	100,000	564,000	2.55
Go-Ahead Group	31,700	710,080	3.22
Marston's	460,000	624,680	2.83
Restaurant Group	85,000	275,570	1.25
		<u>2,174,330</u>	<u>9.85</u>
Telecommunications 7.37% (8.17%)			
BT Group	198,000	726,264	3.29
Vodafone Group	450,340	899,779	4.08
		<u>1,626,043</u>	<u>7.37</u>
Utilities 5.85% (6.84%)			
Centrica	185,000	432,900	1.96
Pennon Group	48,600	401,922	1.82
United Utilities Group	50,700	456,554	2.07
		<u>1,291,376</u>	<u>5.85</u>
Banks 3.42% (2.59%)			
HSBC Holdings	115,000	754,975	3.42
Insurance 9.94% (7.29%)			
Beazley	175,000	675,325	3.06
Legal & General Group	306,000	756,738	3.43
Prudential	47,000	762,810	3.45
		<u>2,194,873</u>	<u>9.94</u>
Total equities - incorporated within the United Kingdom		<u>20,743,604</u>	<u>93.99</u>

Portfolio statement

as at 31 December 2016

	Nominal value or holding	Market value £	% of total net assets
Investment			
Equities - United Kingdom (continued)			
Equities - incorporated outwith the United Kingdom 3.18% (6.12%)			
Insurance 0.39% (3.48%)			
Hansard Global	85,000	<u>86,700</u>	<u>0.39</u>
Financial Services 2.79% (2.64%)			
John Laing Infrastructure Fund	476,700	<u>615,896</u>	<u>2.79</u>
Total equities - incorporated outwith the United Kingdom		<u>702,596</u>	<u>3.18</u>
Total equities - United Kingdom		<u>21,446,200</u>	<u>97.17</u>
Portfolio of investments		21,446,200	97.17
Other net assets		624,670	2.83
Total net assets		22,070,870	100.00

All investments are listed on recognised stock exchanges and are approved securities or regulated collective investments schemes within the meaning of the FCA rules unless otherwise stated.

The comparative figures in brackets are as at 31 December 2015.

United Kingdom equities are grouped in accordance with the Industry Classification Benchmark.

The Industry Classification Benchmark (ICB) is a joint product of FTSE International Limited and Dow Jones & Company, Inc. and has been licensed for use. "FTSE" is a trade and service mark of London Stock Exchange and the Financial Times Limited. "Dow Jones" and "DJ" are trade and service marks of Dow Jones & Company Inc. FTSE and Dow Jones do not accept any liability to any person for any loss or damage arising out of any error omission in the ICB.

Comparative table

The following disclosures give a unitholder an indication of the performance of a unit in the Fund. It also discloses the operating charges and direct transaction costs applied to each unit. Operating charges are those charges incurred in operating the Fund and direct transaction costs are costs incurred when purchasing or selling securities in the portfolio of investments.

Gross income units were first issued at 100.0p per unit on 6 June 2007.

Gross accumulation units were first issued at 100.0p per unit on 6 June 2007.

	Gross income			Gross accumulation		
	2016 p	2015 p	2014 p	2016 p	2015 p	2014 p
Change in net assets per unit						
Opening net asset value per unit	94.64	91.57	95.01	142.05	131.59	129.32
Return before operating charges	8.17	7.85	1.37	12.70	11.61	3.42
Operating charges	(0.77)	(0.78)	(0.81)	(1.19)	(1.15)	(1.15)
Return after operating charges *	7.40	7.07	0.56	11.51	10.46	2.27
Distributions [^]	(4.40)	(4.00)	(4.00)	(6.72)	(5.84)	(5.59)
Closing net asset value per unit	97.64	94.64	91.57	153.56	142.05	131.59
Retained distributions on accumulation units [^]	-	-	-	6.72	5.84	5.59
* after direct transaction costs of:	0.03	0.05	0.04	0.04	0.08	0.06
Performance						
Return after charges ^{^^}	7.82%	7.72%	0.59%	8.10%	7.95%	1.76%
Other information						
Closing net asset value (£)	18,468,610	17,755,308	14,259,750	3,602,260	3,332,085	3,096,334
Closing number of units	18,914,404	18,760,499	15,572,636	2,345,793	2,345,793	2,353,055
Operating charges	0.68%	0.68%	0.71%	0.68%	0.68%	0.71%
Direct transaction costs	0.02%	0.05%	0.04%	0.04%	0.07%	0.05%
Prices						
Highest unit offer price	100.8	100.9	98.67	156.3	146.5	136.4
Lowest unit bid price	85.19	89.51	84.25	127.9	128.6	119.7

[^] rounded to 2 decimal places.

^{^^} bid basis to close of business on 30 December 2016.

Investments carry risk. Past performance is not a guide to future performance. Investors may not get back the amount invested.

Total expense ratio

The total expense ratio provides investors with a clearer picture of the total annual costs in running a collective investment scheme. The total expense ratio consists principally of the Manager's periodic charge and the Investment Adviser's fee which are included in the annual management charge, but also includes the costs for other services paid.

	31.12.16	31.12.15
Annual management charge ^	0.60%	0.60%
Other expenses	0.08%	0.08%
Total expense ratio	<u>0.68%</u>	<u>0.68%</u>

^ inclusive of VAT

Please note the total expense ratio is indicative of the charges which the Fund may incur in a year as it is calculated on historical data.

Financial statements - Charity Value and Income Fund

Statement of total return

for the year ended 31 December 2016

	Notes	2016		2015	
		£	£	£	£
Income:					
Net capital gains	2		905,546		632,940
Revenue	3	951,039		786,243	
Expenses	4	<u>(147,474)</u>		<u>(134,368)</u>	
Net revenue			<u>803,565</u>		<u>651,875</u>
Total return before distributions			1,709,111		1,284,815
Distributions	6		(1,000,616)		(755,098)
Change in net assets attributable to unitholders from investment activities			<u>708,495</u>		<u>529,717</u>

Statement of change in net assets attributable to unitholders

for the year ended 31 December 2016

	2016		2015	
	£	£	£	£
Opening net assets attributable to unitholders		21,087,393		17,356,084
Amounts receivable on issue of units	928,666		3,141,152	
Amounts payable on cancellation of units	<u>(811,345)</u>		<u>(76,579)</u>	
		117,321		3,064,573
Change in net assets attributable to unitholders from investment activities		708,495		529,717
Retained distributions on accumulation units		157,661		137,019
Closing net assets attributable to unitholders		<u>22,070,870</u>		<u>21,087,393</u>

Balance sheet

as at 31 December 2016

	Notes	2016 £	2015 £
Assets:			
Fixed assets:			
Investments		21,446,200	20,379,288
Current assets:			
Debtors	7	105,585	95,044
Cash and bank balances	8	790,790	806,722
Total assets		<u>22,342,575</u>	<u>21,281,054</u>
Liabilities:			
Creditors:			
Distribution payable	6	(264,802)	(187,605)
Other creditors	9	(6,903)	(6,056)
Total liabilities		<u>(271,705)</u>	<u>(193,661)</u>
Net assets attributable to unitholders		<u>22,070,870</u>	<u>21,087,393</u>

P. Maher

T. Quayum

Directors

Smith & Williamson Fund Administration Limited

12 May 2017

Registered Charity number 1119289

Notes to the financial statements

for the year ended 31 December 2016

1. Accounting policies

The accounting policies are disclosed on pages 7 to 8.

2. Net capital gains

	2016	2015
	£	£
Non-derivative securities - realised gains	553,782	139,537
Non-derivative securities - movement in unrealised gains	352,188	493,957
Currency gains	1	-
Transaction charges	(425)	(554)
Total net capital gains	<u>905,546</u>	<u>632,940</u>

Unrealised gains/(losses) are disclosed as the movement in unrealised gains/(losses) on investments between the prior year and the current year. Where realised gains/(losses) on investments include unrealised gains/(losses) arising in previous periods, a corresponding gain/(loss) is included in unrealised gains/(losses).

3. Revenue

	2016	2015
	£	£
Franked revenue	910,934	749,118
Overseas revenue	40,105	37,125
Total revenue	<u>951,039</u>	<u>786,243</u>

4. Expenses

	2016	2015
	£	£
Payable to the Manager and associates		
Annual management charge	<u>129,560</u>	<u>118,442</u>
	<u>129,560</u>	<u>118,442</u>
Payable to the Trustee		
Trustee fees	<u>9,097</u>	<u>9,475</u>
Other expenses:		
Audit fee	6,600	5,040
Safe custody fees	1,617	1,331
Bank interest	-	80
Legal fee	600	-
	<u>8,817</u>	<u>6,451</u>
Total expenses	<u>147,474</u>	<u>134,368</u>

5. Taxation

The Fund is a Registered Charity and is not subject to Income, Capital Gains and Corporation Tax. Distributions are paid and credited gross to unitholders on the basis that all UK taxation has been both reclaimed and received. No overseas taxation has been suffered on income arising or paid during the year.

Notes to the financial statements (continued)

for the year ended 31 December 2016

6. Distributions

The distributions take account of revenue added on the issue of units and revenue deducted on the cancellation of units, and comprise:

	2016	2015
	£	£
Quarter 1 income distribution	195,972	155,726
Quarter 1 accumulation distribution	35,187	33,710
Interim income distribution	195,972	185,270
Interim accumulation distribution	35,585	34,061
Quarter 3 income distribution	187,586	185,270
Quarter 3 accumulation distribution	35,985	34,436
Final income distribution	264,802	187,605
Final accumulation distribution	50,904	34,812
	<u>1,001,993</u>	<u>850,890</u>
Equalisation:		
Amounts deducted on cancellation of units	29,956	2,055
Amounts added on issue of units	(31,333)	(97,847)
Total net distributions	<u>1,000,616</u>	<u>755,098</u>

Reconciliation between net revenue and distributions:

	2016	2015
	£	£
Net revenue per Statement of total return	803,565	651,875
Undistributed revenue brought forward	510,683	479,618
Expenses paid from capital	147,474	134,288
Undistributed revenue carried forward	(461,106)	(510,683)
Distributions	<u>1,000,616</u>	<u>755,098</u>

Details of the distribution per unit are disclosed in the Distribution table.

7. Debtors

	2016	2015
	£	£
Accrued revenue	105,585	95,044
Total debtors	<u>105,585</u>	<u>95,044</u>

8. Cash and bank balances

	2016	2015
	£	£
Total cash and bank balances	<u>790,790</u>	<u>806,722</u>

9. Other creditors

	2016	2015
	£	£
Accrued expenses:		
Payable to the Manager and associates		
Manager's periodic charge	<u>354</u>	<u>-</u>

Notes to the financial statements (continued)

for the year ended 31 December 2016

9. Other creditors (continued)	2016	2015
	£	£
Other expenses:		
Trustee fees	25	862
Safe custody fees	989	119
Audit fee	5,400	5,040
Transaction charges	135	35
	<u>6,549</u>	<u>6,056</u>
Total accrued expenses	<u>6,903</u>	<u>6,056</u>
Total other creditors	<u><u>6,903</u></u>	<u><u>6,056</u></u>

10. Commitments and contingent liabilities

At the balance sheet date there are no commitments or contingent liabilities.

11. Unit classes

The Fund currently has two unit classes; gross income and gross accumulation.

The following reflects the change in units in issue for each unit class in the year:

	Gross income
Opening units in issue	18,760,499
Total units issued in the year	1,002,845
Total units cancelled in the year	<u>(848,940)</u>
Closing units in issue	<u><u>18,914,404</u></u>
	Gross accumulation
Opening units in issue	<u>2,345,793</u>
Closing units in issue	<u><u>2,345,793</u></u>

The current annual management charge in the Fund is 0.50% plus VAT at 20%. The Investment Adviser's fee and the Manager's periodic charge are included in the annual management charge.

Further information in respect of the return per unit is disclosed in the Comparative table.

12. Related party transactions

Smith & Williamson Fund Administration Limited, as Manager is a related party due to its ability to act in respect of the operations of the Fund.

The Manager acts as principal in respect of all transactions of units in the Fund. The aggregate monies received and paid through the creation and cancellation of units are disclosed in the Statement of change in net assets attributable to unitholders.

Amounts payable to the Manager and its associates are disclosed in note 4. The amount due to the Manager and its associates at the balance sheet date is disclosed in note 9.

A unitholder with a holding in excess of 20% of the value of the Fund may be able to exercise significant influence over the financial and operating policies of the Fund with reference to unitholders' voting rights at general meetings and as such is deemed to be a related party.

There were no parties with an interest in excess of 20% of the Fund at any time during the year.

Notes to the financial statements (continued)

for the year ended 31 December 2016

13. Events after the balance sheet date

Subsequent to the year end, the net asset value per gross income unit has increased from 97.64p to 104.8p and the gross accumulation unit has increased from 153.56p to 166.6p as at 8 May 2017. This movement takes into account routine transactions but also reflects the market movements of recent months.

14. Transaction costs

a Direct transaction costs

Direct transaction costs include fees and commissions paid to agents, advisers, brokers and dealers; levies by regulatory agencies and security exchanges; and transfer taxes and duties.

Commission is a charge which is deducted from the proceeds of the sale of securities and added to the cost of the purchase of securities. This charge is a payment to agents, advisers, brokers and dealers in respect of their services in executing the trades.

Tax is payable on the purchase of securities in the United Kingdom. It may be the case that 'other taxes' will be charged on the purchase of securities in countries other than the United Kingdom.

The total purchases and sales and the related direct transaction costs incurred in these transactions are as follows:

	2016	% of total	2015	% of total
	£	purchases	£	purchases
Purchases:				
Equities - purchases before transaction costs	<u>1,960,971</u>		<u>3,987,374</u>	
Commission	3,179	0.16%	7,418	0.19%
Taxes	13	0.00%	38	0.00%
Total direct transaction costs - equities	<u>3,192</u>	0.16%	<u>7,456</u>	0.19%
Equities - purchases after direct transaction costs	<u>1,964,163</u>		<u>3,994,830</u>	
Total purchases after direct transaction costs	<u>1,964,163</u>		<u>3,994,830</u>	
Capital events [^]	<u>66,150</u>		<u>-</u>	

[^] The total purchases exclude the capital events as there were no direct transaction costs charged in these transactions.

	2016	% of total	2015	% of total
	£	sales	£	sales
Sales:				
Equities - sales before transaction costs	<u>1,012,195</u>		<u>764,133</u>	
Commission	(2,024)	0.20%	(1,413)	0.19%
Taxes	(12)	0.00%	(3)	0.00%
Total direct transaction costs - equities	<u>(2,036)</u>	0.20%	<u>(1,416)</u>	0.19%
Equities - sales after direct transaction costs	<u>1,010,159</u>		<u>762,717</u>	
Total sales after direct transaction costs	<u>1,010,159</u>		<u>762,717</u>	
Capital events [^]	<u>858,660</u>		<u>-</u>	

[^] The total sales exclude the capital events as there were no direct transaction costs charged in these transactions.

Notes to the financial statements (continued)

for the year ended 31 December 2016

14. Transaction costs (continued)

a Direct transaction costs (continued)

Summary of direct transaction costs

The following represents the total of each type of transaction cost, expressed as a percentage of the Fund's average net asset value in the year:

	2016	% of average net asset value	2015	% of average net asset value
	£		£	
Commission	5,203	0.02%	8,831	0.04%
Taxes	25	0.00%	41	0.00%

b Average portfolio dealing spread

The average dealing spread is calculated as the difference between the bid and offer value of the portfolio as a percentage of the offer value.

The average portfolio dealing spread of the investments at the balance sheet date was 0.32% (2015: 0.28%).

15. Risk management policies

In pursuing the Fund's investment objective, as set out in the Scheme Particulars, the following are accepted by the Manager as being the main risks from the Fund's holding of financial instruments, either directly or indirectly through its underlying holdings. These are presented with the Manager's policy for managing these risks. To ensure these risks are consistently and effectively managed these are continually reviewed by the risk committee, a body appointed by the Manager, which sets the risk appetite and ensures continued compliance with the management of all known risks.

a Market risk

Market risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices and comprise three elements; other price risk, currency risk, and interest rate risk.

(i) Other price risk

The Fund's exposure to price risk comprises mainly of movements in the value of investment positions in the face of price movements.

The main element of the portfolio of investments which is exposed to this risk is equities which are disclosed in the Portfolio statement.

This risk is generally regarded as consisting of two elements; stock specific risk and market risk. Through these two factors, the Fund is exposed to price fluctuations, which are monitored by the Manager in pursuance of the investment objective and policy.

Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective of the Fund, spreading exposure in the portfolio of investments both globally and across sectors or geography can mitigate market risk.

At 31 December 2016, if the price of the investments held by the Fund increased or decreased by 5%, with all other variables remaining constant, then the net assets attributable to the unitholder would increase or decrease by approximately £1,072,310 (2015 : £1,018,964)

Notes to the financial statements (continued)

for the year ended 31 December 2016

15. Risk management policies (continued)

a Market risk (continued)

(ii) Currency risk

Currency risk is the risk that the value of investments or future cash flows will fluctuate as a result of exchange rate movements. Investment in overseas securities or holdings of foreign currency cash will provide direct exposure to currency risk as a consequence of the movement in foreign exchange rates against sterling. These fluctuations can also affect the profitability of some UK companies, and thus their market prices, as sterling's relative strength or weakness can affect export prospects, the value of overseas earnings in sterling terms, and the prices of imports sold in the UK.

Forward currency contracts may be used to manage the portfolio exposure to currency movements.

The Fund had no significant exposure to foreign currency in the year.

(iii) Interest rate risk

Interest rate risk is the risk that the value of the Fund's investments will fluctuate as a result of interest rate changes.

During the year the Fund's direct exposure to interest rates consisted of cash and bank balances.

The amount of revenue receivable from bank balances or payable on bank overdrafts will be affected by fluctuations in interest rates.

Possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account by the Investment Adviser when making investment decisions. The Fund would not in normal market conditions hold significant cash balances and would have limited borrowing capabilities as stipulated in the COLL rules.

The Fund would not in normal market conditions hold significant cash balances and would have limited borrowing capabilities as stipulated in the COLL rules.

There is no exposure to interest bearing securities at the balance sheet date.

b Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. This includes counterparty risk and issuer risk.

The Trustee has appointed the custodian to provide custody services for the assets of the Fund. There is a counterparty risk that the custodian could cease to be in a position to provide custody services to the Fund. The Fund's investments (excluding cash) are ring fenced hence the risk is considered to be negligible.

The Fund holds cash and cash deposits with financial institutions which potentially exposes the Fund to counterparty risk. The credit rating of the financial institution is taken into account so as to minimise the risk to the Fund of default.

c Liquidity risk

A significant risk is the cancellation of units which investors may wish to sell and that securities may have to be sold in order to fund such cancellations if insufficient cash is held at the bank to meet this obligation. If there were significant requests for the redemption of units at a time when a large proportion of the portfolio of investments were not easily tradable due to market volumes or market conditions, the ability to fund those redemptions would be impaired and it might be necessary to suspend dealings in units in the Fund.

Investments in smaller companies at times may prove illiquid, as by their nature they tend to have relatively modest traded share capital. Shifts in investor sentiment, or the announcement of new price sensitive information, can provoke significant movement in share prices, and make dealing in any quantity difficult.

The Fund may also invest in securities that are not listed or traded on any stock exchange. In such situations the Fund may not be able to immediately sell such securities.

Notes to the financial statements (continued)

for the year ended 31 December 2016

15. Risk management policies (continued)

c Liquidity risk (continued)

To reduce liquidity risk the Manager will ensure, in line with the limits stipulated within the COLL rules, a substantial portion of the Fund's assets consist of readily realisable securities. This is monitored on a monthly basis and reported to the Risk Committee together with historical outflows of the Fund.

In addition liquidity is subject to stress testing on an annual basis to assess the ability of the Fund to meet large redemptions (50% of the net asset value and 80% of the net asset value), while still being able to adhere to its objective guidelines and the FCA investment borrowing regulations.

All of the financial liabilities are payable on demand. In the case of forward foreign currency contracts these are payable in less than one year.

d Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

To ensure this, the fair value pricing committee is a body appointed by the Manager to analyse, review and vote on price adjustments/maintenance where no current secondary market exists and/or where there are potential liquidity issues that would affect the disposal of an asset. In addition, the committee may also consider adjustments to the Fund's price should the constituent investments be exposed to closed markets during general market volatility or instability.

Valuation technique	Investment assets	Investment liabilities
	2016	2016
	£	£
Quoted prices in active markets	21,446,200	-
Inputs other than quoted prices that are observable	-	-
Inputs are unobservable and market data is unavailable	-	-
	<u>21,446,200</u>	<u>-</u>

Valuation technique	Investment assets	Investment liabilities
	2015	2015
	£	£
Quoted prices in active markets	20,379,288	-
Inputs other than quoted prices that are observable	-	-
Inputs are unobservable and market data is unavailable	-	-
	<u>20,379,288</u>	<u>-</u>

No securities in the portfolio of investments are valued using valuation techniques.

e Assets subject to special arrangements arising from their illiquid nature

There are no assets held in the portfolio of investments which are subject to special arrangements arising from their illiquid nature.

Notes to the financial statements (continued)

for the year ended 31 December 2016

15. Risk management policies (continued)

f Derivatives

The Fund may employ derivatives with the aim of reducing the Fund's risk profile, reducing costs or generating additional capital or revenue, in accordance with efficient portfolio management.

The Manager monitors that any exposure is covered globally to ensure adequate cover is available to meet the Fund's total exposure, taking into account the value of the underlying investments, any reasonably foreseeable market movement, counterparty risk, and the time available to liquidate any positions.

During the year there were no derivative transactions.

(i) Counterparties

Transactions in securities give rise to exposure to the risk that the counterparties may not be able to fulfil their responsibility by completing their side of the transaction. This risk is mitigated by the Fund using a range of brokers for security transactions, thereby diversifying the risk of exposure to any one broker. In addition the Fund will only transact with brokers who are subject to frequent reviews with whom transaction limits are set.

The Fund may transact in derivative contracts which potentially exposes the Fund to counterparty risk from the counterparty not settling their side of the contract. Transactions involving derivatives are entered into only with investment banks and brokers with appropriate and approved credit rating, which are regularly monitored. Forward currency transactions are only undertaken with the custodians appointed by the Trustee.

At the balance sheet date, there are no securities in the portfolio of investments subject to a repurchase agreement.

(ii) Leverage

There have been no leveraging arrangements in the year.

(iii) Global exposure

Global exposure is a measure designed to limit the leverage generated by a Fund through the use of financial derivative instruments, including derivatives with embedded assets.

At the balance sheet date there is no global exposure to derivatives.

There have been no collateral arrangements in the year.

Distribution table

for the year ended 31 December 2016

Distributions on gross income units in pence per unit

Payment date	Unit type	Distribution type	Net revenue	Equalisation	Distribution current year	Distribution prior year
31.05.16	group 1	quarter 1	1.000	-	1.000	1.000
31.05.16	group 2	quarter 1	-	1.000	1.000	1.000
31.08.16	group 1	interim	1.000	-	1.000	1.000
31.08.16	group 2	interim	1.000	-	1.000	1.000
30.11.16	group 1	quarter 3	1.000	-	1.000	1.000
30.11.16	group 2	quarter 3	-	1.000	1.000	1.000
28.02.17	group 1	final	1.400	-	1.400	1.000
28.02.17	group 2	final	-	1.400	1.400	1.000

Equalisation

Equalisation applies only to group 2 units. It is the average amount of revenue included in the purchase price of group 2 units and is refunded to holders of these units as a return of capital. Being capital it is not liable to income tax in the hands of the unitholder but must be deducted from the cost of units for capital gains tax purposes.

Quarter 1 distribution:

- Group 1 Units purchased before 1 January 2016
- Group 2 Units purchased 1 January 2016 to 31 March 2016

Interim distribution:

- Group 1 Units purchased before 1 April 2016
- Group 2 Units purchased 1 April 2016 to 30 June 2016

Quarter 3 distribution:

- Group 1 Units purchased before 1 July 2016
- Group 2 Units purchased 1 July 2016 to 30 September 2016

Final distribution:

- Group 1 Units purchased before 1 October 2016
- Group 2 Units purchased 1 October 2016 to 31 December 2016

Distribution table (continued)

for the year ended 31 December 2016

Distributions on gross accumulation units in pence per unit

Allocation date	Unit type	Distribution type	Net revenue	Equalisation	Distribution current year	Distribution prior year
31.05.16	group 1	quarter 1	1.500	-	1.500	1.437
31.05.16	group 2	quarter 1	1.500	-	1.500	1.437
31.08.16	group 1	interim	1.517	-	1.517	1.452
31.08.16	group 2	interim	1.517	-	1.517	1.452
30.11.16	group 1	quarter 3	1.534	-	1.534	1.468
30.11.16	group 2	quarter 3	1.534	-	1.534	1.468
28.02.17	group 1	final	2.170	-	2.170	1.484
28.02.17	group 2	final	2.170	-	2.170	1.484

Accumulation distributions

Holders of accumulation units should add the distributions received thereon to the cost of the units for capital gains tax purposes.

Quarter 1 distribution:

Group 1 Units purchased before 1 January 2016

Group 2 Units purchased 1 January 2016 to 31 March 2016

Interim distribution:

Group 1 Units purchased before 1 April 2016

Group 2 Units purchased 1 April 2016 to 30 June 2016

Quarter 3 distribution:

Group 1 Units purchased before 1 July 2016

Group 2 Units purchased 1 July 2016 to 30 September 2016

Final distribution:

Group 1 Units purchased before 1 October 2016

Group 2 Units purchased 1 October 2016 to 31 December 2016

Remuneration

Remuneration code disclosure

The remuneration committee is responsible for setting the remuneration policy for all partners, directors and employees within the Smith & Williamson Group including individuals designated as Material Risk Takers under the FCA and PRA Remuneration Code and the AIFMD and UCITS V Remuneration Codes. The remuneration policy is designed to be compliant with each code and provides a framework to attract, retain and reward partners, directors and employees and to foster and support prudent risk management, with particular attention to conduct risk.

Remuneration committee

The remuneration committee report contained in the Smith & Williamson Report and Financial Statements for the year ended 30 April (available at <http://smithandwilliamson.com/about-us/financial-reports>) includes details of the applicable remuneration policy. The remuneration committee, which comprises six non-executive directors, is governed by formal terms of reference, which are reviewed and agreed annually by the board. The committee meets on average 4 times during a year.

Remuneration policy

The overall policy is designed to promote the long term success of the group. The main principles of the remuneration policy are:

- to ensure that remuneration is set at an appropriate and competitive level taking into account market rates and practices
- to align remuneration with the strategy and performance of the business
- to foster and support conduct and behaviours which are in line with our culture and values
- to maintain a sound risk management framework
- to ensure that the ratio between fixed and variable remuneration is appropriate and does not encourage excessive risk taking
- to comply with all relevant regulatory requirements.

The policy is designed to reward partners, directors and employees for delivery of both financial and non-financial objectives which are set in line with company strategy. When setting variable remuneration, supervisors and managers take into account Risk and Compliance data in relation to any breaches or issues with respect to compliance, treating customers fairly (TCF), conduct risk, professional indemnity (PI) issues or complaints and the cost of correcting errors.

Remuneration systems

The committee reviews all partners' and directors' fixed and variable remuneration. In addition, it approves hurdles and awards in respect of equity incentive plans, namely a deferred option plan, Matching Share Plan, Executive Long Term Incentive Plan (LTIP) and an Investment Management LTIP.

The remuneration of partners is made up of a fixed profit share, discretionary bonus profit share and non-discretionary bonus profit share. The remuneration of directors and employees typically comprises of a salary with benefits including pension scheme, life assurance, permanent health insurance, private medical insurance, SAYE scheme and a discretionary bonus scheme. Partners and directors are also eligible to participate, at the invitation of the remuneration committee, in the equity incentive plans described above.

When considering variable remuneration for the executive directors, the committee takes account of overall business profit for the group and divisions, the achievement of both financial and non-financial objectives (including adherence to the principles of TCF, conduct risk, compliance and regulatory rules), personal performance and any other relevant policy of the board in respect of the year ended 30 April. The remuneration committee agrees the individual allocation of variable remuneration and the proportion of that variable remuneration to be deferred under the Executive Long Term Incentive Plan.

Remuneration (continued)

Aggregate Quantitative Information - AIFMD

The total amount of remuneration paid by Smith & Williamson Fund Administration Limited (SWFAL) is nil as SWFAL has no employees. However, a number of employees have remuneration costs recharged to SWFAL and the annualised remuneration for these 73 employees is £2,953,573, of which £2,753,724 is fixed remuneration. This is based on the annualised salary and benefits as at 30 April 2016, and any variable remuneration awarded for the year ending 30 April 2016. This information excludes any senior management or other Material Risk Takers (MRTs) whose remuneration information is detailed below.

Smith & Williamson reviews its MRTs at least annually, and identifies individual roles that can materially affect the risk of SWFAL or any of the AIFs it manages. These individuals are employed by and provide services to other companies in the Smith & Williamson group. It is difficult to apportion remuneration for these individuals in respect of their duties to SWFAL and its AIFs. For this reason, the aggregate total remuneration awarded for the financial year 2015-16 for senior management and other MRTs detailed below has not been apportioned.

Table to show the aggregate remuneration split by Senior Management and other MRTs for SWFAL (£000)	Financial Year ending 30 April 2016				
	Fixed	Variable		Total	No. MRTs
		Cash	Equity		
Senior Management	£2,678	£1,784	£339	£4,801	17
Other MRTs	£1,208	£787	£162	£2,157	11
Total	£3,886	£2,571	£501	£6,958	28

Further information

Distributions and reporting dates

Where net revenue is available it will be distributed quarterly on 31 May (interim), 31 August (interim), 30 November (interim) and the last day in February (final). In the event of a distribution, unitholders will receive a tax voucher.

XD dates:	1 January	final
	1 April	quarter 1
	1 July	interim
	1 October	quarter 3

Reporting dates:	31 December	annual
	30 June	interim

Buying and selling shares

The Fund will be valued as though it was an authorised unit trust subject to the terms of the Financial Conduct Authority Collective Investment Schemes sourcebook ("COLL"). The property of the Fund is valued every business day at 12 noon and prices of units are calculated as at that time. Units can be bought at the offer price and sold at the bid price. Unit dealing is on a forward basis i.e. investors can buy and sell units at the next valuation point following receipt of the order.

The minimum holding of units in the Fund at any time in terms of value is currently £1,000. The minimum value of units in the Fund which may be the subject of any one sale or purchase is £1,000.

Prices of shares and the estimated yield of the share classes are published on the following website: www.fundlistings.com or may be obtained by calling 0141 222 1151.

Management charges

The Manager is entitled to receive and retain for its own use and benefit an initial charge to be included in the issue price of units. Should the Manager make an initial charge, this will not exceed 5%.

The annual management charge of 0.5% per annum plus VAT at 20% is payable based on the net asset value of the Fund.

Taxation

As long as it is applied for charitable purposes, any income received by a unitholder from the Fund will not be subject to UK tax and a unitholder will be exempt from UK tax on chargeable gains on the disposal of its units. No tax will be deducted from income distributed by the Fund.

Appointments

Manager and Registered office

Smith & Williamson Fund Administration Limited

25 Moorgate

London EC2R 6AY

Telephone: 020 7131 4000

Authorised and regulated by the Financial Conduct Authority

Administrator and Registrar

Smith & Williamson Fund Administration Limited

206 St. Vincent Street

Glasgow G2 5SG

Telephone: 0141 222 1151 (Registration)

0141 222 1150 (Dealing)

Authorised and regulated by the Financial Conduct Authority

Directors of the Manager

Giles Murphy

Kevin Stopps

Paul Wyse

Jocelyn Dalrymple

David Cobb

Susan Shaw

Peter Maher

James Gordon - appointed 21 January 2016

Sheridan Lees - resigned 3 February 2016

Tim Lyford - resigned 31 March 2016

Grant Hotson - appointed 22 August 2016

Tas Quayum - appointed 22 August 2016

Brian McLean - appointed 17 February 2017

Jeremy Boadle - resigned 31 October 2016

Investment Adviser

OLIM Limited

15 Berkeley Street

London W1J 8DY

Authorised and regulated by the Financial Conduct Authority

Trustee

BNY Mellon Trust & Depositary (UK) Limited - resigned 29 January 2016

The Bank of New York Mellon Centre

160 Queen Victoria Street

London EC4V 4LA

Authorised and regulated by the Financial Conduct Authority

National Westminster Bank Plc - appointed 30 January 2016

Trustee and Depositary Services

Younger Building

1st Floor

3 Redheughs Avenue

Edinburgh EH12 9RH

National Westminster Bank plc is Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Appointments (continued)

Auditor

Beavis Morgan Audit Limited

Chartered Accountants and Statutory Auditors

82 St John Street

London EC1M 4JN