

Charity Value and Income Fund

Interim Long Report

for the six months ended 30 June 2016

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# Charity Value and Income Fund

## Report of the Manager

Smith & Williamson Fund Administration Limited, as Manager, presents herewith the Interim Long Report (“the Report”) for Charity Value and Income Fund for the six months ended 30 June 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 and the Collective Investment Schemes sourcebook (“COLL”). Customers investing in the Scheme may not therefore receive the full levels of protection available under FSMA. As the Scheme is a 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 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

The objective of the Scheme is to achieve long-term capital and income growth through investment primarily in UK equities and convertible securities, 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 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 period

There were no fundamental or significant changes to the Scheme in the period.

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

Further information in relation to the Scheme is illustrated on page 13.

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.

K. Stopps  
Directors  
Smith & Williamson Fund Administration Limited  
30 August 2016

G. Murphy

**Accounting policies for Charity Value and Income Fund (unaudited)**  
*for the six months ended 30 June 2016*

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 the applicable UK Accounting Standards and in accordance with the Statement of Recommended Practice for 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 accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015 and are described in those annual financial statements.

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

## Investment Adviser's report

### The market

Over the six month period as a whole the FTSE All Share Index rose by 2.1%. Including income, the total return was +4.3%. It was a period of extreme volatility caused by extraordinary changes, both economic and political. In January 2016 the price of oil continued the previous year's precipitate fall and eventually recorded a low price of \$27 per barrel. European banks were forced to deny they were in insolvent due to their loans secured on oil and commodity trading. Later in our half year period the oil price rose again, and at the end of June 2016 the price of \$49.9 per barrel was one third higher than at the end of December 2015. The UK equity market was similarly volatile and the closing level of 3515, though only 2% higher than the level at the end of 2015, was nearly 14% higher than the lowest level in February 2016. The unexpected result of the European Union (EU) Referendum on 24 June 2016 caused major changes in market movements. Sterling fell heavily against the dollar (-10% over the half year) and euro (-12%). The market overall rose to its highest levels of the half year, but the strength was in the largest companies, which trade globally and announce their dividends in dollars. Holders of these companies benefit from the translation effect of an increase in dollar denominated dividends. The FTSE 100 Index, which is concentrated into these companies, rose by 4.2% in the half year. Conversely, the FTSE 250 Index of mid-cap companies, which is more domestically orientated, fell by 6.7% in the same period.

Gilt yields fell further in the aftermath of the Referendum and ended the half year with a yield of just 0.9% on ten year dated bonds. The FTSE All Stocks Index recorded a total return of +11.4%. The Governor of the Bank of England said he would introduce further monetary easing if necessary during the summer months and this was interpreted as a possible further cut in base rate below the level of 0.5% which has persisted since the early months of 2009. Overseas equity markets were mostly lower, with a fall of 10% in Germany and 18% in Japan but America rose by nearly 3% and emerging markets continued to recover with a rise of just under 6% in the FTSE Emerging Markets Index. The price of gold rose by 25% in response to the perceived instability in so many parts of the world.

### Performance

Over the half year as a whole the total return (including income) on the accumulation units was -2.1%\*, which compares with a total return on the FTSE All Share Index of +4.3%. Performance was significantly affected by the extreme price movements in the last week of June 2016, resulting from the weakness in sterling. Approximately half of our portfolio is invested in mid-cap companies, which was a severe headwind in this period (FTSE 250 total return -5.2%). In our sector positioning, the underweight allocations to oils and mining and the overweighting in travel & leisure penalised performance, but the underweighting in banks benefitted us. In stock selection, our holdings in companies related to consumer spending and housebuilding were very weak following the Referendum result, but those trading in global markets rose and Unilever was particularly strong with a rise of 22% in the six months.

\*Source: Smith & Williamson Fund Administration Limited; Bid to Bid Basis; 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. We reinvested the proceeds in Prudential. Just before the Referendum we took a partial profit on our holding of Cineworld Group. We invested in Midwich Group, which was a new issue in May. The company distributes audio and visual equipment to a wide range of trade users in a range of sectors in education, hospitality, corporate communications and hospitality. We invested new money received during this period into many of the existing holdings.

### Distribution

The two quarterly distributions for the first half of 2016 were 1.0p, quarter one, and 1.0p, quarter two, per income unit. The total of 2.0p is the same as the distributions paid in the first two quarters of 2015.

## Investment Adviser's report (continued)

### Outlook

The events of the last week of June 2016 make the future course of the economy and the markets particularly difficult to predict. We know that the Referendum result is a clear instruction to the next Prime Minister to negotiate the terms of our withdrawal from the EU in its present format. We know that sterling has fallen and that any economic downturn which may result from the uncertainties ahead will be tempered by the boost to our trading overseas, from the competitive advantage of a lower exchange rate. More than 70% of our quoted market earnings arise from our exports and overseas trading interests. In our domestic market, some solid companies have fallen to levels where they are extremely undervalued. We know that President Obama has said that the special relationship with the US will continue, but we also know that an American election is due this year. We know too that Europe exports more to us than vice versa and we are confident that they should wish to continue to trade with us. Other independent countries, notably Norway and Switzerland, have viable trading agreements with the European Union. The market as a whole currently looks unbalanced with extreme value at one end and some unsustainably high valuations at the other, but we believe that our portfolio should continue to deliver good returns when the outlook is more settled.

OLIM Limited

11 July 2016

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**Portfolio changes**  
*for the six months ended 30 June 2016*

	Cost		Proceeds
	£	Sales	£
Purchases			
Prudential	576,380	Cineworld Group	103,172
Midwich Group	279,999		
GlaxoSmithKline	153,550		
BT Group	111,841		
Restaurant Group	101,139		
N Brown Group	94,585		
Vodafone Group	91,043		
Beazley	83,973		
HSBC Holdings	54,474		
Babcock International Group	52,885		
SThree	50,672		

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

## Portfolio statement

as at 30 June 2016

	Nominal value or holding	Market value £	% of total net assets
Investment			
Equities - United Kingdom 95.89% (96.64%)			
Equities - incorporated in the United Kingdom 92.63% (90.52%)			
Oil & Gas 8.83% (7.50%)			
Amec Foster Wheeler	39,000	190,983	0.89
BP	201,800	883,884	4.13
Royal Dutch Shell	39,562	815,768	3.81
		<u>1,890,635</u>	<u>8.83</u>
Chemicals 3.88% (3.94%)			
Croda International	16,220	508,984	2.38
Johnson Matthey	11,427	320,070	1.50
		<u>829,054</u>	<u>3.88</u>
Basic Resources 2.54% (2.14%)			
BHP Billiton	32,000	301,696	1.41
Rio Tinto	10,500	240,713	1.13
		<u>542,409</u>	<u>2.54</u>
Industrial Goods & Services 14.21% (13.03%)			
Babcock International Group	36,000	325,440	1.52
Carillion	203,000	474,411	2.22
Halma	98,500	1,000,759	4.67
Midwich Group	134,615	296,490	1.39
Spectris	36,000	656,280	3.07
SThree	115,000	286,063	1.34
		<u>3,039,443</u>	<u>14.21</u>
Food & Beverage 2.09% (2.64%)			
Britvic	76,500	447,525	2.09
Personal & Household Goods 6.92% (6.86%)			
Crest Nicholson Holdings	88,000	313,280	1.46
Unilever	32,700	1,169,678	5.46
		<u>1,482,958</u>	<u>6.92</u>
Health Care 8.67% (7.06%)			
Dechra Pharmaceuticals	60,500	709,060	3.31
GlaxoSmithKline	71,500	1,146,502	5.36
		<u>1,855,562</u>	<u>8.67</u>
Retail 4.15% (5.25%)			
Conviviality	360,000	661,500	3.09
N Brown Group	130,000	226,460	1.06
		<u>887,960</u>	<u>4.15</u>
Media 4.07% (3.75%)			
Daily Mail & General Trust	30,000	178,800	0.84
Informa	95,000	691,600	3.23
		<u>870,400</u>	<u>4.07</u>
Travel & Leisure 10.19% (13.46%)			
Cineworld Group	127,300	694,422	3.25
Go-Ahead Group	31,700	619,735	2.90
Marston's	460,000	619,620	2.90



## Portfolio statement (continued)

as at 30 June 2016

	Nominal value or holding	Market value £	% of total net assets
Investment			
Equities - incorporated in the United Kingdom (continued)			
Travel & Leisure (continued)			
Restaurant Group	85,000	244,460	1.14
		<u>2,178,237</u>	<u>10.19</u>
Telecommunications 8.58% (8.17%)			
BT Group	198,000	811,800	3.79
Vodafone Group	450,340	1,024,524	4.79
		<u>1,836,324</u>	<u>8.58</u>
Utilities 7.26% (6.84%)			
Centrica	253,000	570,009	2.66
Pennon Group	48,600	459,270	2.15
United Utilities Group	50,700	524,238	2.45
		<u>1,553,517</u>	<u>7.26</u>
Banks 2.50% (2.59%)			
HSBC Holdings	115,000	535,670	2.50
Insurance 8.74% (7.29%)			
Beazley	191,000	695,049	3.25
Legal & General Group	306,000	583,236	2.73
Prudential	47,000	590,555	2.76
		<u>1,868,840</u>	<u>8.74</u>
Total equities - incorporated in the United Kingdom		<u>19,818,534</u>	<u>92.63</u>
Equities - incorporated outwith the United Kingdom 3.26% (6.12%)			
Insurance 0.41% (3.48%)			
Hansard Global	85,000	88,400	0.41
Financial Services 2.85% (2.64%)			
John Laing Infrastructure Fund	476,700	610,176	2.85
		<u>698,576</u>	<u>3.26</u>
Equities - incorporated outwith the United Kingdom			
Total equities - United Kingdom		<u>20,517,110</u>	<u>95.89</u>
Portfolio of investments		20,517,110	95.89
Other net assets		879,555	4.11
Total net assets		<u>21,396,665</u>	<u>100.00</u>

All investments are quoted securities 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.

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Total purchases in the period:	£1,650,541
Total sales in the period:	£103,172

## Performance information

Number of units in issue	30.06.16	31.12.15	31.12.14	31.12.13
Gross income	19,597,232	18,760,499	15,572,636	13,509,469
Gross accumulation	2,345,793	2,345,793	2,353,055	2,353,055
<b>Net Asset Value (NAV)</b>	£	£	£	£
Total NAV of the Fund	21,396,665	21,087,393	17,356,084	15,878,607
NAV attributable to gross income unitholders	18,077,234	17,755,308	14,259,750	12,835,745
NAV attributable to gross accumulation unitholders	3,319,431	3,332,085	3,096,334	3,042,862
<b>Net asset value per unit (based on bid value) ^</b>	p	p	p	p
Gross income	92.24	94.64	91.57	95.01
Gross accumulation	141.5	142.0	131.6	129.3

^ The net asset value per unit excludes the value of the income distributions payable.

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.

## Highest and lowest prices and distributions

Financial year to 31 December		Distribution per unit p	Highest price p	Lowest price p
2013	Gross income	3.700	96.21	77.99
2013	Gross accumulation	4.959	130.9	102.9
2014	Gross income	4.000	98.67	84.25
2014	Gross accumulation	5.591	136.4	119.7
2015	Gross income	4.000	100.9	89.51
2015	Gross accumulation	5.841	146.5	128.6
Financial period to 30 June 2016	Gross income	2.000	95.67	85.19
Financial period to 30 June 2016	Gross accumulation	3.017	145.1	127.9

## Distributions per unit in the current period and prior year

Gross income			
Payment date	p	Payment date	p
31.05.16	1.000	31.05.15	1.000
31.08.16	1.000	31.08.15	1.000
		30.11.15	1.000
		29.02.16	1.000
Gross accumulation			
Allocation date	p	Allocation date	p
31.05.16	1.500	31.05.15	1.437
31.08.16	1.517	31.08.15	1.452
		30.11.15	1.468
		29.02.16	1.484

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 ("TER") provides investors with a clearer picture of the total annual costs in running a collective investment scheme. The TER 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.

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

<sup>^</sup> Annualised based on the expenses incurred during the period 1 January 2016 to 30 June 2016.

<sup>^^</sup> 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 (unaudited)

### Statement of total return (unaudited)

for the six months ended 30 June 2016

	1 January 2016 to 30 June 2016		1 January 2015 to 30 June 2015	
	£	£	£	£
Income:				
Net capital (losses) / gains		(551,079)		564,010
Revenue	524,280		393,554	
Expenses	<u>(71,985)</u>		<u>(63,584)</u>	
Net revenue		<u>452,295</u>		<u>329,970</u>
Total return before distributions		(98,784)		893,980
Distributions		(435,900)		(320,016)
Change in net assets attributable to unitholders from investment activities		<u>(534,684)</u>		<u>573,964</u>

### Statement of change in net assets attributable to unitholders (unaudited)

for the six months ended 30 June 2016

	1 January 2016		1 January 2015	
	£	£	£	£
Opening net assets attributable to unitholders		21,087,393 *		17,356,084
Amounts receivable on issue of units	773,183		2,923,194	
Amounts payable on cancellation of units	<u>-</u>		<u>(76,579)</u>	
		773,183		2,846,615
Change in net assets attributable to unitholders from investment activities		(534,684)		573,964
Retained distributions on accumulation units		70,773		67,770
Closing net assets attributable to unitholders		<u>21,396,665</u>		<u>20,844,433 *</u>

\*The opening net assets in the current period do not equal the closing net assets in the comparative period as they are not consecutive periods.

## Balance sheet (unaudited)

as at 30 June 2016

	30 June 2016 £	31 December 2015 £
Assets:		
Fixed assets:		
Investments	20,517,110	20,379,288
Current assets:		
Debtors	146,465	95,044
Cash and bank balances	936,895	806,722
Total assets	<u>21,600,470</u>	<u>21,281,054</u>
Liabilities:		
Creditors:		
Distribution payable	(195,972)	(187,605)
Other creditors	(7,833)	(6,056)
Total liabilities	<u>(203,805)</u>	<u>(193,661)</u>
Net assets attributable to unitholders	<u>21,396,665</u>	<u>21,087,393</u>

K. Stopps

G. Murphy

Directors

Smith & Williamson Fund Administration Limited

30 August 2016

Registered Charity number 1119289

## Further information

### Distributions and reporting dates

Where net revenue is available it will be distributed on 31 May (interim), 31 August (interim), 30 November (interim) and the last day of 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 units and the estimated yield of the Fund are published on the following website: [www.fundlistings.com](http://www.fundlistings.com) or may be obtained from the ACD by calling 0141 222 1150.

### 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  
Jeremy Boadle  
Kevin Stopps  
Paul Wyse  
Jocelyn Dalrymple  
David Cobb  
Susan Shaw  
Peter Maher  
Sheridan Lees - resigned 3 February 2016  
Tim Lyford - resigned 31 March 2016  
James Gordon - appointed 21 January 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

### Trustee

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.

### Auditor

Beavis Morgan Audit Limited  
Chartered Accountants and Statutory Auditors  
82 St John Street  
London EC1M 4JN