

Class A Distribution Shares, GBP

Investment objective

To seek a combination of income and long-term capital appreciation, but with a focus on income, with a medium risk investment profile.

Benchmark

The Fund is benchmarked against the WMA Income Index (Total Return) and will take active positions relative to this index on both asset allocation and stock selection. The Fund's broad asset allocation (split by equities, fixed income and alternatives) will typically be restricted to a range, relative to the benchmark, set by the CSI Investment Committee.

On 1 March 2017 the WMA range of Private Investor comparators replaced FTSE International with indices provided by MSCI and IHS Markit.

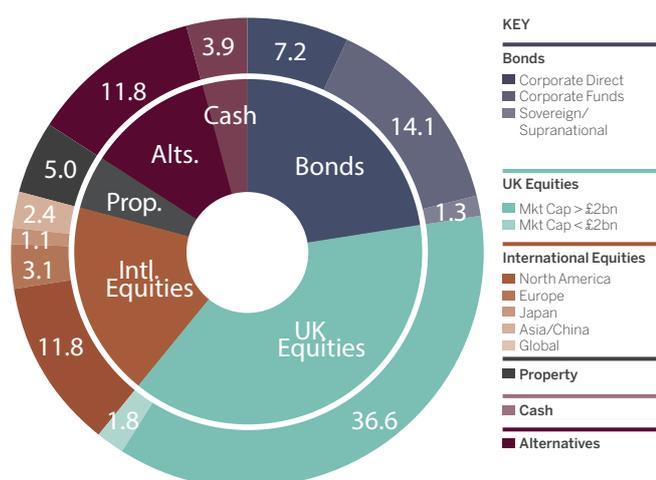
Investment policy

In order to achieve its objective, the Fund will invest principally in a diversified portfolio of different asset classes such as equities, equity linked securities (including warrants and convertible securities), fixed and floating rate debt securities, index linked bonds, cash and cash equivalents.

Debt securities (including sovereign and corporate) as well as higher yielding equities will be the dominant asset classes.

The Fund is invested principally in direct UK equities, sovereign and corporate debt, International equity collective funds (both active and passive) and infrastructure funds. In direct UK equities the Fund seeks to invest in a diverse range of companies with robust balance sheets that can support reasonable and growing levels of income. The Fund invests with a long term investment horizon and places emphasis on owning shares in high quality companies. These equities will Predominantly be constituents of the FTSE 350 Index.

Asset allocation



Key information

Benchmark: MSCI WMA Income Index

Unit Price (A Dist Shares)	£1.07
Historical Yield *	3.1%
Dividend Payment (month end)	Jan, Apr, Jul, Oct
Inception	15-Apr-13

Charges:

Ongoing Charges**	1.39%
Transaction Costs	0.20%
Total Cost of Ownership	1.59%

Performance Fee	n/a
Exit Charge	n/a

Distribution shares SEDOL	B94L4T8
Distribution shares ISIN	LU0904711479

Fund Manager (since 26/07/19)	James Godrich, CFA
Fund Manager (since 27/01/16)	Karen Lau

Top 10 direct holdings

	Percentage
1 RELX PLC	2.2%
2 UNILEVER PLC	2.0%
3 COMPASS GROUP PLC	1.9%
4 SCHRODERS PLC	1.9%
5 RIO TINTO PLC	1.8%
6 DIAGEO PLC	1.8%
7 BIG YELLOW GROUP PLC	1.7%
8 LLOYDS BANKING GROUP PLC	1.7%
9 HALMA PLC	1.7%
10 LONDONMETRIC PROPERTY PLC	1.7%

Top 10 fund holdings

	Percentage
1 VANGUARD S&P 500 ETF	5.5%
2 TWENTYFOUR ABSOLUTE RETURN CREDIT	4.7%
3 KAMES CAPITAL INVESTMENT GRADE BOND	4.7%
4 CHURCH HOUSE INVESTMENT GRADE FIXED INT	4.7%
5 HSBC S&P 500 ETF	3.3%
6 CAPITAL GEARING TRUST	3.0%
7 PERSONAL ASSETS TRUSTS	2.9%
8 VANGUARD PACIFIC EX JAPAN	2.4%
9 GREENCOAT UK WIND	2.2%
10 HICL INFRASTRUCTURE	2.0%

*The yield reflects historic distributions declared over the past twelve months as a percentage of the mid-market unit price, as at the date shown and after the deduction of the funds expenses.

**Ongoing charge represents the direct costs of running a fund, which are deducted from the assets of the fund and provide a comparable number for the cost of investing. The annual management charge is included in the ongoing charge.

Fund manager commentary

During the fourth quarter, the Fund returned 2.4%, against the WMA Income Index at 1.2%. Outperformance was driven by our stock selection within UK equities and our underweight, short duration fixed income exposure.

Traders are told to 'sell in May and go away', to 'ride the Santa rally' or to consider the Super-bowl Indicator; that is, when a team from the old American Football League wins the Super-bowl, the market will close lower for the year. Interestingly many of these market anomalies appear to have had some statistical credibility during the 1920's to 1980's but since then, increased market efficiency has almost entirely wiped out any reliability. Nevertheless, one that has worked during 2018 and 2019 is that investors were well advised not to 'fight the Fed'.

After tapping on the brake during 2018 with four interest rate hikes, the Federal Reserve used 2019 to make an about-turn and stepped on the accelerator with three rate cuts. This dovish (so called because of the bird's placid nature versus a hawk) policy switch explains why 2018's challenging performance was followed by a year where more than 90% of asset classes generated a positive return in 2019.

Against this backdrop, our UK equities remain the key, and a pleasingly consistent positive contributor to performance within the fund on both a relative and an absolute basis. This has been offset during the year by performance from our international equity exposure, which has been unable to keep pace with an exceptional year of returns. Within our international equity funds, we continue to seek managers with a clear and consistent process, good alignment of interests and an impressive track record. Where we are unable to find this, we are not afraid to invest in direct equities or through passive funds. Our process tends to point us towards funds that are less benchmark driven; whilst we remain comfortable in their ability to drive long-term returns, we would expect short periods of underperformance. The ability to trust one's own research and process without bias or attachment in the face of these challenging periods remains a key skill of the long-term investor.

Within our UK equity exposure, **Halma**, the holding company with underlying businesses focussed on making the world a cleaner, healthier and safer place and **Genus**, a company which aims to rear superior breeding animals for more efficient and

sustainable meat and milk production, were at the top of the leader board. At the bottom of the leader board was **Victrex**, an industrial company pioneering the use and development of PEEK - a lightweight, plastic alternative to metal - and **Renishaw**, a Gloucestershire based engineering business that is the global leader in metrology.

Whilst all of these businesses have diverse end markets and exposure, which will inevitably present each of them with different challenges at different stages of the cycle, we believe that they all boast an exciting set of characteristics. We think these are businesses able to grow at greater than GDP through the cycle, on impressive margins, with low leverage, high returns on capital and, importantly, with defensible barriers to entry. Our investment process is built on finding these types of companies and investing in them only when we find that they are offered to us by the market at a reasonable valuation; a combination that we hope will continue to generate superior long-term performance for the fund.

The ongoing downtrend in the manufacturing cycle, which has provided a significant challenge for the likes of Victrex and Renishaw this year, has not been the only macroeconomic concern, with Donald Trump, China and Brexit all worthy of a mention. However, it is important to remember that pessimists are said to often sound clever but rarely be found rich and, from a fundamental perspective, the global economy has much to look forward to during 2020. Political clarity should help to bolster consumer confidence whilst also marking an end to fiscal austerity – both of which we would expect to support global GDP. At the same time, longer term investment should be supported by green shoots that appear to be emerging from the global manufacturing sector which could move from a headwind to a tailwind during 2020. Added to this, financial conditions should remain supportive as Central Banks are expected to maintain their dovish stance during 2020.

Optimism is rarely advised to be followed blind and the returns seen in 2019 will not persist forever. However, when managing money, it is important to bear in mind opportunity cost and investors are often handsomely rewarded for taking risk whilst the sun is shining. The 2020's are likely to be a decade when investors are required to take advantage of the warmer weather whilst remaining nimble and flexible enough to open the umbrella when darker clouds loom.

Performance summary

(% total return)

	3m	6m	1yr	3yr	5yr	Since Inception
CSI Income	2.4%	3.1%	15.2%	18.0%	28.8%	37.9%
WMA Income	1.2%	4.0%	15.2%	19.8%	40.7%	57.0%

Calendar year performance

(% total return)

	31.12.18– 31.12.19	31.12.17– 31.12.18	31.12.16– 31.12.17	31.12.15– 31.12.16
CSI Income	15.2%	-5.2%	8.0%	8.1%
WMA Income	15.2%	-4.6%	9.1%	14.9%

Source: Cadelam and Factset

**Please note that the WMA performance data included is blended to reflect the FTSE WMA Series up to 1 March 2017 and the WMA MSCI Series thereafter.*

Past performance is not a guide to future performance.

Risks and important information

The value of CSI Income may go down as well as up and you may not receive back all the money you invest. Investment should be made on the basis of the Prospectus and Key Investor Information Document (KIID), available on our website. You should seek professional advice as to the suitability of the Fund before investing. Values may be affected by fluctuations in exchange rates where assets in the Fund are denominated in currencies other than sterling.

The fund is a Luxembourg domiciled open-ended investment company (SICAV) which is a UCITS fund. The Management Company of the SICAV is Cadelux S.A., the Depositary, Administrative, Corporate and Domiciliary agent, Registrar and Transfer Agent is Delen Private Bank. JM Finn is the Investment Manager as appointed by Cadelux S.A. This Fund is not offered, sold or distributed in the United States or to US persons.

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