



Fund Manager
Jeremy Wharton

Monthly Commentary

It strikes me as a special kind of arrogance possessed by the US political system towards its lenders that allows it to take debt ceiling negotiations to the wire each and every time. To state the obvious, the effects of any default, whether technical or otherwise, on investor confidence would be disastrous. In the face of foreign selling of Treasuries this is playing with fire and could have been another factor in the recent decision not to reduce buying of paper by the Fed, maybe they will have to step up buying instead.

The US Government shutdown will certainly have enough of an effect on GDP to suspend any thoughts of tapering for the moment. We can't get away from the fact that there must be some limit to the Fed's balance sheet and surely it would make sense to actually reduce the level of deficit rather than just borrowing more.

Over here we can be smug that not only are our peers stooping to our level of playground politics but also that the IMF has been forced into an embarrassing U-turn as the UK posts growth levels at twice their earlier forecasts. We are now their poster boy for austerity as our measures begin to have a real effect in reducing our own current account deficit.

Credit markets have remained remarkably sanguine and the latter part of the month saw some significant tightening in certain credits, not least that of our part-nationalised banks as UKFI reduced its stake in LBG. The primary pipeline has produced some issues of note, but it is important to remember the phantom liquidity that surrounds some of these at issue is not maintained long term.

Key Information

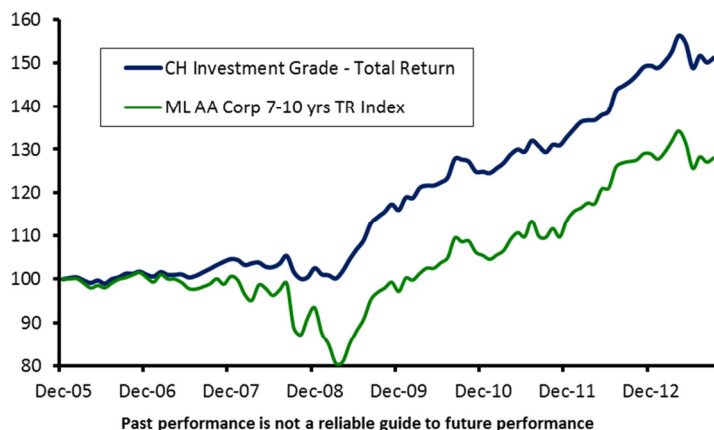
Bid price, Income / Accum.	111.0p / 144.5p
Sector	Corporate Bond
Trust Type	Authorised unit trust / UCITS
Launch Date	December 2000
Dividend Payment	Feb, May, Aug & Nov
Last Ex Div Date	1 July 2013
Minimum Subscription	£5,000
Yield	3.2% net, 4.0% gross
Management Fee	0.75% (1.25%, 1 st £25m)
Performance Fee	None
Fund Value	£112.0m
ISIN Number	GB0004743828
SEDOL No.	0474382

The value of an investment and the income from it can fall as well as rise as a result of market and other fluctuations, and you may not get back the amount originally invested. The information provided is not meant as investment advice, but may form part of your overall research. All data in this factsheet is at the date above unless otherwise stated. We may record telephone calls for our mutual protection.

The Authorised Fund Manager of the fund is: Smith & Williamson Fund Administration Ltd.

This information is for professional investors and advisers only and should not be issued to, or relied upon, by retail investors.

Performance v. Benchmark



Source: Church House, Bloomberg. CHIG is income units, bid-to-bid, gross income re-invested

Performance over past:	3m	1yr	3yrs	5yrs
CH Investment Grade - Total Return*	1.6%	3.7%	18.5%	48.8%
ML AA Corp 7-10yr Total Return Index	1.9%	0.7%	18.0%	44.1%
Fund Volatility: (income units)	n/a	5.3%	4.1%	4.8%

Source: Church House, Bloomberg, Merrill Lynch. *CHIG income units, bid-to-bid, gross income re-invest.

Calendar Year Performance

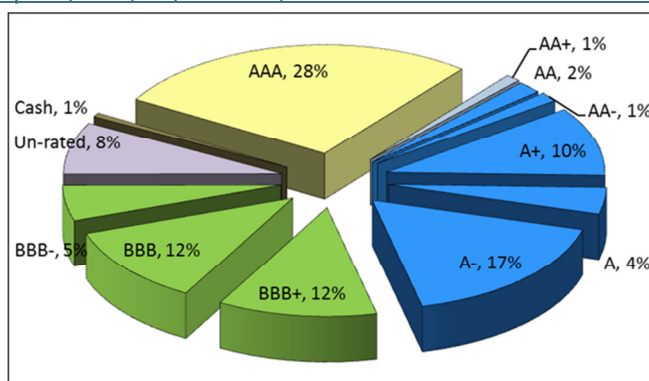
YTD	2012	2011	2010	2009
0.6%	11.8%	5.4%	7.1%	11.6%

Source: Church House. Accumulation units, bid-to-bid

Top Ten Holdings: 16.3% of Portfolio

Close Bros 6.5% 2017	2.0%	Lloyds Covered 4.875% 2024	1.5%
Barclays Covered FRN 2015	1.9%	RWE 7% hybrid 2019	1.4%
British Telecom 7.5% 2016	1.9%	Veolia hybrid 4.85% 2018	1.4%
HICL Infrastructure Co.	1.8%	BAE Systems 4.125% 2022	1.4%
J P Morgan FRN 2017	1.6%	EDF 6% hybrid 2026	1.4%

Rating Split (S&P / equivalent)



Source: Church House, Bloomberg

Please remember that past performance is not a reliable guide to future performance.

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