

SVS Church House Tenax Absolute Return Strategies Fund

The Authorised Corporate Director of the Fund is:
Smith & Williamson Fund Administration Limited

Monthly Commentary

December provided an appropriately rough end to a difficult year for all the mainstream asset classes as the S&P 500 fell 9.2%, having been down 15% at one point. Many of the market's fears appeared to be being borne out at once: the Federal Reserve raised rates again, further tightening monetary policy and threatening to invert the yield curve, the effects of the trade war became steadily more obvious as economic growth stalls in the US, Europe and China and a steady stream of CEOs warned of the effects on their profitability. Locally, of course, we have the continuing and unifying Brexit 'negotiations' the fate of the Prime Minister and political in-fighting... Ironically, much of this could be solved quite quickly: the trade war is hurting both America and China now so the incentive to cobble together an agreement is rising, China's crackdown on credit is weighing on their economy, they will probably look to ease up soon, the Federal Reserve could ease up on its tightening and a Brexit agreement could be reached...

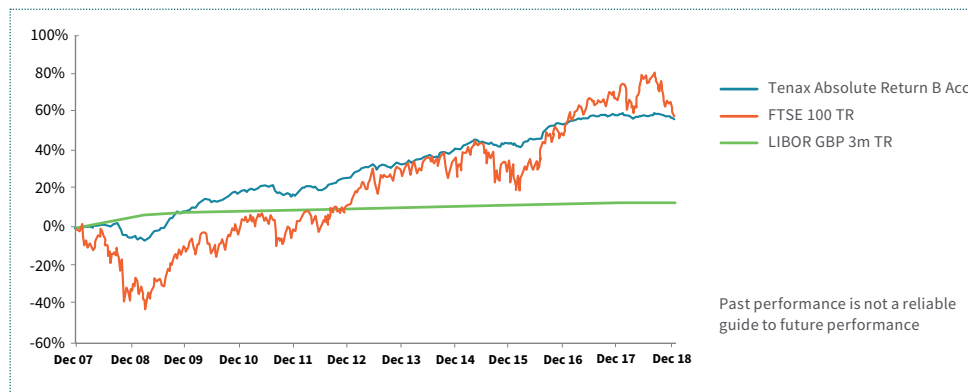
The US dollar fell back (and now the yen is being squeezed sharply higher), while the oil price slumped a further 8%, down almost 20% over the year as a whole. Amongst the equity markets, China suffered the most over the year registering a 25% fall. Sovereign bonds rallied bringing ten-year yields back down again to 2.7% in the US, 1.3% in the UK and 0.25% in Germany, while credit spreads widened, most notably in the 'high yield' area.

The Fund closed December maintaining the cautious attitude that it has held for most of the year. While this has not been much fun, we are pleased to have avoided most of the pitfalls in deference to our preservation of capital priority. We are now seeing higher short-term rates (long-term rates are far too low to attract us) and expect the febrile atmosphere in risk(ier) markets to present us with more opportunities in 2019.

Two of our Treasury-Bill holdings matured during the month, along with the **Total** 3.875% 2018 issue that we held, adding to existing cash in hand. With new issues few and far between in the run-in to Christmas, we added to a number of existing floating rate note holdings in the portfolio: **ANZ** February '19, **Lloyds Bank** January '20, **LBBW** May '21 and the more recent **Coventry B/S** issue (linked to SONIA) due in November 2023, all being AAA issues. New to the portfolio is a short-dated **Metropolitan Life** 1.125% 2021 issue. **Vodafone** made a cash tender offer for the November 2020 convertible issue that we held so we sold these to the company and added further to the 4.875% hybrid issue of theirs that we hold, which looks good value at current price. Other 'risk on' trades were few, we added to the **Orange/BT** convertible position and to the holding in **MedicX**, the primary health care property company as it was marked XD. We also took a position in a new issue of an energy efficiency trust which came to market during the month.

Performance (B Shares) v. UK Indices (and other)

The comparison to FTSE 100 TR is for illustrative purposes only and the fund is not benchmarked against this index.



Source: FE Analytics. Total Return Nav-Nav line chart (from 01 December 2007 to 31 December 2018) from UK IA universe.

Performance Summary (%)

	3m	1 yr	3yrs	5yrs
SVS Church House Tenax Absolute Return Strategies B Acc	-1.19	-1.57	9.47	17.44
Index: FTSE 100 TR	-6.22	-8.05	29.11	22.32
Benchmark: LIBOR GBP 3 Months TR	0.21	0.72	1.59	2.73

Source: FE Analytics. Total Return Nav-Nav month end (31 December 2018) performance table from UK UT and OEICs universe.

Calendar Year Total Returns (%)

	YTD	2017	2016	2013	2014	2013
SVS Church House Tenax Absolute Return Strategies B Acc in GB	-1.44	2.71	7.85	1.62	6.23	5.63

Source: FE Analytics. Total Return Nav-Nav discrete calendar performance table, of SVS Church House Tenax Absolute Return Strategies Fund (B Acc) from UK Investment Association universe.



Fund Managers



James Mahon



Jeremy Wharton

Objective and Policy

Tenax has an absolute return objective, aiming to achieve positive returns over rolling twelve-month periods at low levels of volatility. Capital invested in the Fund is at risk, there is no guarantee that a positive return will be achieved over a rolling twelve-month, or any other, period.

The portfolio is diverse across asset classes; investments are principally direct (it is not a fund-of-funds) but other funds may be held to provide further diversification. The benchmark for the Fund is three-month £ LIBOR. Capital preservation is key; the Fund is prepared to hold high proportions in cash and other low-risk assets.

Key Information

A Share Class	Min. investment £5,000 Management fee 1.21% OCF 1.27%
B Share Class	For investment advisers and intermediaries only Management fee 0.85% OCF 0.91% Inc shares SEDOL: BNGY2T9 Inc shares ISIN: GB00BNGY2T93 Acc shares SEDOL: B28KSK1 Acc shares ISIN: GB00B28KSK12

B Share Price	157.1p (Acc)
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Sector	Targeted Absolute Return
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Trust Type	OEIC – Non-UCITS Retail Scheme
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Launch Date	November 2007
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Dividend Payment	May & November
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Yield	0.53% (B Acc)
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Fund Value	£270m
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All prices and data in the Fact Sheet are as at 31 December 2018.

All fund performance data is based on the B Acc shares and shown after the deduction of fees and charges. Yield data refers to the past 12 months.

Ongoing Charges Figure (OCF) based on accounts as at 30/09/2017.

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Top Ten Holdings (%)

30.5% of Portfolio

Total number of holdings: **134**

UK Treasury Bond 1.75% 2019	4.2%	EIB 0.625% 01/2020	3.0%
EIB FRN (SONIA) 06/2023	3.8%	ADB FRN (SONIA) 10/2023	2.6%
IBRD FRN (SONIA) 10/2023	3.7%	Lloyds Float (SONIA) 09/2021	2.6%
Santander Float (SONIA) 09/2021	3.4%	Coventry B.S (SONIA) 11/2023	2.2%
RBS Covered FRN 05/2020	3.0%	Yorkshire B/S (SONIA) 11/2023	2.0%

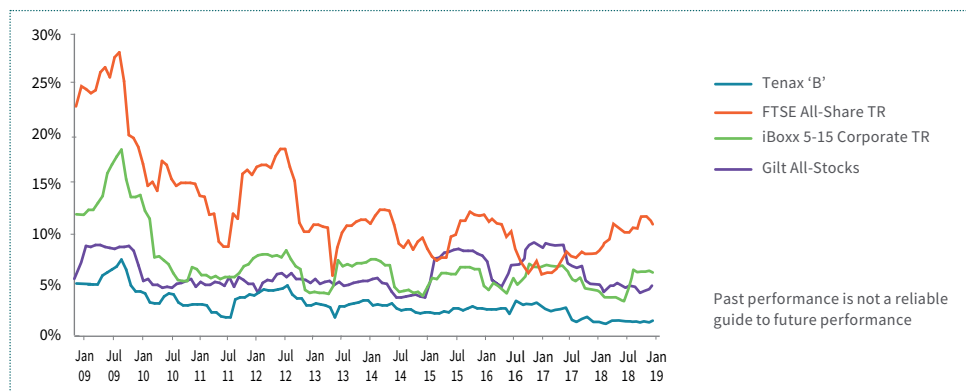
Disposition



Cash Deposits	1.1%
Treasury/T-Bills	7.1%
FRN (AAA)	43.2%
Floating Rate Notes	7.1%
Fixed Interest	19.0%
Index-Linked	0.5%
Infrastructure	2.9%
Convertibles	7.4%
Hedge Funds	0.0%
Property / Real	2.9%
Equities	8.7%

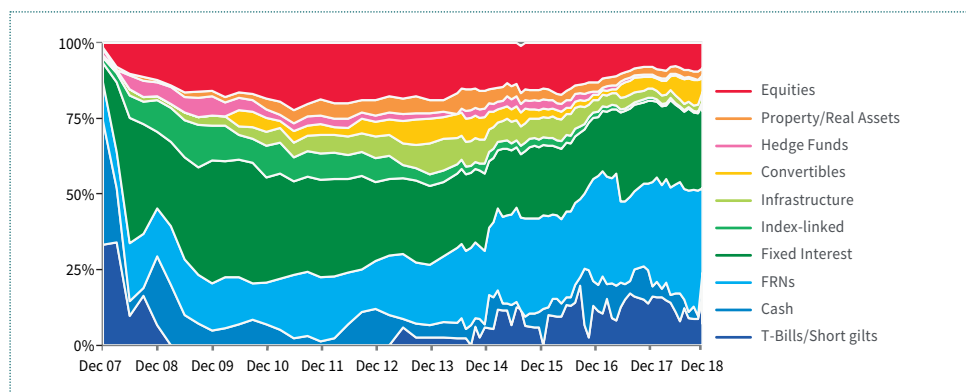
Source: Church House

Low Volatility Returns



Source: Church House, Bloomberg.

Asset Class Risk Profile as % of total VaR



Source: Church House.

LEARN MORE ABOUT THIS FUND

CALL: 0207 534 9877 and speak to our Sales Support Team
EMAIL: salesupport@church-house.co.uk

CALL: 0207 534 9879 for our Sales Director, Sam Liddle
EMAIL: s.liddle@church-house.co.uk

INVESTMENT RISK

Please note that the value of an investment in this fund and the income from it may go down as well as up and you may not get back your original investment. You should also be aware that past performance may not be a reliable guide to future performance.

IMPORTANT INFORMATION

This is a financial promotion for Professional Clients and/or distributors only. This is not intended as investment advice. You should read the Prospectus and the Key Investor Information Document (KIID) for each fund in which you want to invest. The Prospectus and KIID can be found at www.ch-investments.co.uk. All information prepared within has been prepared by Church House Investments Limited, York House, Sherborne, DT9 4JW. Authorised and regulated by the Financial Conduct Authority. This document should not be published in hard copy, electronic form, via the web or in any other medium accessible to the public unless authorised by Church House Investments to do so. No warranty is given as to the accuracy or completeness of this information and no liability is accepted for errors or omissions in such information. This document may not be used for the purpose of an offer or solicitation in any jurisdiction or in any circumstances in which such an offer or solicitation is unlawful or unauthorised. To help us continually improve our service, and in the interest of security, we may monitor and/or record your telephone calls with us.