

S&W Church House Balanced Value and Income Fund

Annual Short Report

for the year ended 31 March 2013

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S&W Church House Balanced Value and Income Fund

Manager's report

Smith & Williamson Fund Administration Limited ("the Manager") presents herewith the Annual Short Report for S&W Church House Balanced Value and Income Fund ("the Fund") for the year ended 31 March 2013.

Risk disclosure

The main risks which may affect the assets and liabilities of the Fund, either directly or indirectly through its underlying holdings, are market risk, liquidity risk, credit risk and fair value of financial assets and financial liabilities. The Manager has processes in place to mitigate these risks.

The Manager monitors the investment activity of the Investment Adviser to ensure the investment activity is consistent with the investment objectives and the investment and borrowing powers which are laid out in the Prospectus.

There is no material difference between the value of the financial assets and liabilities and their fair value.

For further information please refer to the Prospectus or the Annual Long Report.

More information about the activities and performance of the Fund for this and previous periods can be obtained from the Manager.

Copies of the Prospectus and Key Investor Information Document (KIID) are available free of charge from the Manager.

The Annual Long Report is available on request from the Manager.

Investment objective and policy

The objective of the Fund is to provide investors with medium to long-term capital growth, with income, through investment in a portfolio of UK equities. The portfolio will be mainly UK equities, selected for their value and income prospects, but a proportion of the portfolio will be invested in index-linked and other fixed interest securities and listed investment companies.

Distributions and reporting dates

Where net revenue is available it will be distributed semi-annually on 31 May (final) and 30 November (interim). In the event of a distribution, unitholders will receive a tax voucher.

XD dates:	1 April	final
	1 October	interim
Reporting dates:	31 March	annual
	30 September	interim

Unitholders will receive a short report within four months of the annual reporting date and within two months of the interim reporting date.

Buying and selling units

The property of the Fund is valued at 12 noon on each business day, and prices of units are calculated as at those times. 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 initial investment in the Fund is £5,000. The minimum subsequent investment is £5,000. The Manager reserves the right to terminate holdings where the value is less than £3,000.

Prices of units and the estimated yield of the Fund are published on the following website:
www.fundlistings.com or may be obtained from the Manager by calling 0141 222 1150.

Management charges

A preliminary charge of 5% of the value of each unit issued is included in the price.

The annual management charge to the Fund is currently 1.5%. The annual management charge includes the Manager's periodic charge and the Investment Adviser's fees.

Changes affecting the Fund in the year

There were no fundamental or significant changes to the Fund in the year.

Investment Adviser's report

Investment performance

Capital Performance* over:	One Year	Three Years	Five Years
S&W Church House Balanced Value & Income Fund	11.80%	20.10%	13.00%
Composite Index**	11.80%	17.60%	13.40%
FTSE Higher-Yield Index	12.00%	14.70%	5.40%
FTSE All-Share Index	12.60%	16.20%	15.50%
FT Index-Linked All Stocks	8.90%	32.90%	39.20%

* Percentage change in bid price of income units 31 March to 31 March.

**Benchmark was FTSE All-Share to 31/12/2007 then composite of 50% FTSE Higher Yield, 40% FTSE All-Share and 10% FTSE Index-Linked All Stocks Index. To date, this composite index has not been re-based, at 28 March it consisted: 44.9% FTSE Higher Yield, 40.9% FTSE All-Share and 14.3% FTSE Index-Linked All Stocks Indices.

Source: Bloomberg

Investment activity

We reported in October on activity in the first half of the year so these comments cover the latter six months.

There was less activity in this portfolio over the quarter. As with the growth portfolio, we sold the holding in BG Group and added to the holding in BT Group. We also added further to the holding of Spirax-Sarco Engineering and, among the *Real Estate* holdings to London & Stamford Property.

There was rather more activity in the fixed interest area. The RSA Insurance Group 6.701% Perpetual bonds had performed very satisfactorily for us (while providing a good income stream) so we took the profit on this holding. We added to the holding in UK Treasury Gilt 4.125% Index-Linked 22/07/2030 and are looking for opportunities to increase this further.

We also increased our weightings in infrastructure companies, taking the offer of a 'C' share issue from GCP Infrastructure Investments and participating in a placing of new shares in HICL Infrastructure.

We have been adding to the index-linked holdings in the portfolio: twice to the holding of UK Treasury Gilt 4.125% Index-Linked 22/07/2030, now a 'top ten' holding, a new holding of Southern Water Services Finance 3.706% Index-Linked 31/03/2034 and an addition to the existing holding of AWG 4.125% Index-Linked 22/07/2030. Against this we have sold the remaining ordinary fixed interest holding in RWE 7% Perpetual.

Top 15 Holdings 28 March 2013

HSBC Holdings	5.92%
Royal Dutch Shell 'B'	5.72%
Vodafone Group	4.82%
GlaxoSmithKline	4.70%
BP	3.27%
Diageo	2.84%
AstraZeneca	2.50%
UK Treasury Gilt 4.125% Index Linked 22/07/2030	2.33%
Tesco	2.33%
British American Tobacco	2.17%
Cerravision	2.05%
BHP Billiton	2.05%
Reed Elsevier	1.89%
Reckitt Benckiser Group	1.80%
Legal & General Group	1.72%

These changes raise the index-linked proportion of the portfolio to 12.5% from 9.5% in December.

There were few changes to the core equity holdings. We have reduced exposure to British American Tobacco again and to BP and added further to the holding in Pearson. We also took the satisfactory profit on the small house builder/developer M J Gleeson.

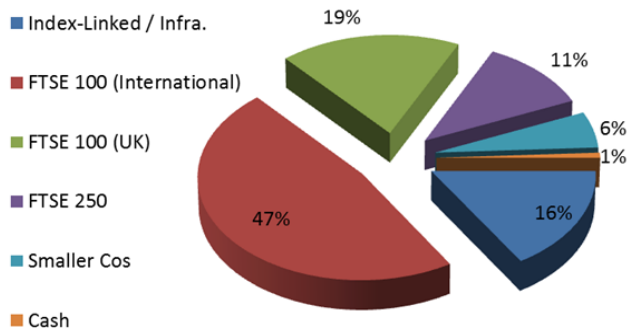
We have increased the portfolio's exposure to commercial property with the addition of a new holding of Standard Life Property which invests directly in UK commercial properties.

Investment Adviser's report (continued)

Investment strategy and outlook

The pie chart below shows the broad disposition of the portfolio at the end of March:

Church House Balanced Value & Income Fund – Disposition of Assets – 28 March 2013



Source: Church House Investment Management

FTSE 100 (International) – our definition, those companies with more than 75% of their turnover overseas

The FTSE All-Share Index has risen by around 23% from the low point in the summer and, with continued malaise in Europe and a likely slow-down in America in the first half, a period of consolidation or set-back would not be a surprise. The Fund's portfolio currently holds around 16% in index-linked securities and infrastructure investments providing balance to the equity proportion.

James Mahon
Church House Investment Management
April 2013

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Risk and reward profile

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.

Typically lower rewards, lower risk				Typically higher rewards, higher risk		
1	2	3	4	5	6	7

The Fund is in a higher category because the price of its investments have risen or fallen frequently and more dramatically than some other types of investment. The category shown is not guaranteed to remain unchanged and may shift over time. Even the lowest category does not mean a risk-free investment.

The price of the Fund and any income from it can go down as well as up and is not guaranteed. Investors may not get back the amount invested. Past performance is not a guide to the future.

Where this Fund invests in bonds, there is a risk the bond issuer may fail to meet its repayments. This is usually a greater risk for bonds that produce a higher level of income. Changes in interest rates, inflation and the creditworthiness of the bond issuer may also affect the bond's market value.

Investment trusts may borrow to purchase additional investments. This can increase returns when stock markets rise but will magnify losses when markets fall.

The value of an investment trust moves in line with stock market demand and its share price may be less than or more than the net value of the investments it holds.

For further information please refer to the Key Investor Information Document (KIID).

For full details on risk factors for the Fund, please refer to the Prospectus.

Comparative table

Number of units in issue	31.03.13	31.03.12	31.03.11
Income units	18,604,993	18,419,759	19,091,059
Accumulation units	1,703,934	1,818,309	1,955,034
Net Asset Value (NAV)	£	£	£
Total NAV of Fund	32,853,026	29,179,024	30,041,501
NAV attributable to retail income unitholders	29,533,448	26,130,003	26,880,211
NAV attributable to retail accumulation unitholders	3,319,578	3,049,021	3,161,290
Net asset value per unit (based on bid value)	p	p	p
Income units	158.7	141.9	140.8
Accumulation units	194.8	167.7	161.7
Quoted prices (based on bid value)	p	p	p
Income units	161.1	144.0	141.9
Accumulation units	197.7	170.2	163.0

Units were first launched at 100.0p on 22 January 2002.

Performance record

Calendar year		Distribution per unit p	Highest offer price p	Lowest bid price p
2008	Income units	5.204	168.0	99.01
2008	Accumulation units	5.423	173.5	106.2
2009	Income units	4.320	138.9	99.17
2009	Accumulation units	4.688	152.3	100.0
2010	Income units	4.001	154.1	119.6
2010	Accumulation units	4.503	172.7	135.4
2011	Income units	3.893	156.1	127.0
2011	Accumulation units	4.500	181.4	150.1
2012	Income units	5.444	158.5	134.7
2012	Accumulation units	6.495	194.5	162.2
2013*	Income units	2.856	170.9	148.2
2013*	Accumulation units	3.505	209.8	181.8

* to 31 March 2013

Distributions in the current and prior year

Income units	Payment date	p	Payment date	p
	30.11.12	2.770	30.11.11	2.288
	31.05.13	2.856	31.05.12	2.674
Accumulation units	Allocation date	p	Allocation date	p
	30.11.12	3.335	30.11.11	2.657
	31.05.13	3.505	31.05.12	3.160

Ongoing charges figure

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

	2013	2012
Annual management charge	1.45%	1.46%
Other expenses	0.09%	0.09%
Ongoing charges figure	<u>1.54%</u>	<u>1.55%</u>

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

Portfolio information

The following tables show the percentage of the Fund's assets and liabilities by investment and geographical classification at the end of the current year and the previous year, and the major ten holdings in the Fund at the end of the current year and the previous year.

Investment classification

Investment Type	Percentage of the total net assets as at 31.03.13	Percentage of the total net assets as at 31.03.12
Debt Securities*		
AAA to AA	2.33%	6.79%
A to A-	8.78%	1.14%
BBB	1.45%	1.40%
BBB- and unrated	0.00%	2.19%
Equities - United Kingdom	87.06%	87.33%
	99.62%	98.85%
Other net assets	0.38%	1.15%
Total net assets	100.00%	100.00%

* Debt securities are grouped by credit rating - source: Interactive Data and Bloomberg.

Geographical classification

Region	Percentage of the total net assets as at 31.03.13	Percentage of the total net assets as at 31.03.12
Debt Securities - denominated in UK sterling	12.56%	11.52%
Equities - United Kingdom	87.06%	87.33%
	99.62%	98.85%
Other net assets	0.38%	1.15%
Total net assets	100.00%	100.00%

Major ten holdings at the end of the current year

	Percentage of the total net assets as at 31.03.13
HSBC Holdings	5.92%
Royal Dutch Shell 'B'	5.72%
Vodafone Group	4.82%
GlaxoSmithKline	4.70%
BP	3.27%
Diageo	2.84%
AstraZeneca	2.50%
UK Treasury Gilt 4.125% Index Linked 22/07/2030	2.33%
Tesco	2.33%
British American Tobacco	2.17%

Major ten holdings at the end of the previous year

Holding	Percentage of the total net assets as at 31.03.12
Royal Dutch Shell B	6.02%
HSBC Holdings	4.73%
Vodafone Group	4.72%
GlaxoSmithKline	4.32%
BP	3.94%
British American Tobacco	2.71%
Cerravision	2.44%
AstraZeneca	2.39%
Diageo	2.32%
BHP Billiton	2.31%

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
Michael Lea
Gareth Pearce
Kevin Stopps
Paul Wyse
Philip Moody
Tim Lyford
Jocelyn Dalrymple - appointed 31 July 2012

Investment Adviser

Church House Investments Limited
3 Goldcroft
Yeovil
Somerset BA21 4DQ
Authorised and regulated by the Financial Conduct Authority

Trustee

BNY Mellon Trust & Depositary UK Limited
160 Queen Victoria Street
London EC4V 4LA
Authorised and regulated by the Financial Conduct Authority

Auditor

KPMG Audit Plc
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG