



S&W Church House Investment Grade Fixed Interest Fund

Interim Short Report

for the six months ended 30 September 2013

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S&W Church House Investment Grade Fixed Interest Fund

Manager's report

Smith & Williamson Fund Administration Limited ("the Manager") presents herewith the Interim Short Report for S&W Church House Investment Grade Fixed Interest Fund ("the Fund") for the six months ended 30 September 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.

Where the Fund has exposure to derivatives, global exposure is calculated and monitored daily using the commitment method with netting applied where appropriate.

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 Annual Long Report.

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

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

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

Investment objective and policy

The objective of the Fund is to secure a high level of income through investment principally in investment grade corporate bonds, United Kingdom Government Gilts and supra-national issues. The Fund may also invest in other higher income securities such as preference shares and infrastructure funds and other interest bearing securities such as Treasury bills. The Fund may also seek to hedge the interest rate or credit risk in the portfolio through the use of derivative instruments.

Distributions and reporting dates

Where net revenue is available it will be distributed quarterly on 31 May (final), 31 August (quarter 1), 30 November (interim) and the last day in February (quarter 3). In the event of a distribution, unitholders will receive a tax voucher.

XD dates:	1 April	final
	1 July	quarter 1
	1 October	interim
	1 January	quarter 3

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 every business day, and prices of units are calculated as at that time. 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

The preliminary charge is included in the sale price of a unit and is currently 5% of the issue price of a unit.

The annual management charge to the Fund is currently 1.25% on the first £25 million and thereafter 0.75%. The annual management charge includes the Manager's periodic charge and the Investment Adviser's fee. The Manager's periodic charge is 0.15% subject to a minimum of £33,000.

Changes affecting the Fund in the period

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

Investment Adviser's report

Investment performance

Over the six months to 30 September 2013, as measured on a bid-to-bid basis, the price of income units in the Fund fell 1.9%:

	30 September 2013	2 April 2013	% Change
S&W Church House Investment Grade Fixed Interest Fund	111	113.2	-1.90%
iBoxx Sterling AA Corporate 5-15 year	88.8	92.6	-4.10%

Investment activities

With so much attention focused on fixed interest markets during this period we have been busy. We have further reduced the duration of the portfolio and increased the proportion held in floating rate notes (FRN).

New FRN holdings acquired in the first three months of the period included issues from Deutsche Pfandbriefbank, GE Capital, and BNP Paribas. Among the changes to the conventional fixed interest securities in the portfolio, we sold the long-dated Heathrow Funding 5.875% 13/05/2041 and Northern Gas Networks Finance 5.625% 23/03/2040. Also sold were the Svenska Handelsbanken 2.75% 05/12/2022 and the Network Rail Infrastructure Finance Index Linked 1.75% 22/11/2027 issues. Exposure to index-linked securities in the portfolio is low at present. As an illustration of the febrile nature of markets in June, we sold the Tesco 6.125% 24/02/2022 holding and were then able to re-purchase it (in larger size) two weeks later as the price fell sharply. Other new holdings in the period to the end of June included the Rolls Royce 3.375% 18/06/2026 and Scottish Widows 5.5% 16/06/2023.

Increasing rates and volatility over the latter three months of the period led to less capital raising in corporate debt markets so this was a quieter period with fewer transactions. The overall number of holdings in the portfolio was reduced and the duration shortened again.

New issues in the portfolio over this latter three months are the GE Capital UK Funding 4.125% 13/09/2023 stock, Bank of Scotland 4.875% 20/12/2024 stock and a floating rate note issue from National Australia Bank 0.8125% 12/08/2016. Gone from the portfolio are some of the longer-dated issues including: Northumbrian Water Finance 5.125% 23/01/2042, High Speed Rail Finance 1 4.375% 01/11/2038, two Tesco Property issues and the Centrica 4.25% 12/09/2044.

We added to a number of short-dated issues: the British Telecommunications 8.5% 07/12/2016, Close Brothers Group 6.5% 10/02/2017, floating rate note issue from JPMorgan Chase & Co 1.05125% due 30/05/2017 and BG Energy Capital 5.125% 07/12/2017 (though this is a hybrid issue which the company can 'call' in 2017). Further out we added to the HSBC Bank 5% 20/03/2023, AP Moeller - Maersk 4% 04/04/2025 and Citigroup 5.15% 21/05/2026. Among the infrastructure investments, we took up an offer of new shares from GCP Infrastructure Investments.

The table shows the top fifteen holdings in the portfolio at the end of the quarter, together accounting for 23% of the whole.

Top Fifteen Holdings 30 September 2013

Close Brothers Group 6.5% 10/02/2017	1.93%
Barclays Bank 2.01025% 20/01/2015	1.92%
British Telecommunications 8.5% 07/12/2016	1.87%
HICL Infrastructure	1.82%
JPMorgan Chase & Co 1.05125% 30/05/2017	1.58%
Bank of Scotland 4.875% 20/12/2024	1.50%
RWE 7% perpetual	1.39%
Veolia Environnement 4.85% perpetual	1.38%
BAE Systems 4.125% 08/06/2022	1.36%
Electricite de France 6% perpetual	1.35%
GE Capital UK Funding 1.0625% 09/05/2016	1.33%
NGG Finance 5.625% 18/06/2073	1.33%
Scottish Widows 5.5% 16/06/2023	1.32%
Rolls-Royce 3.375% 18/06/2026	1.30%
AP Moeller - Maersk 4% 04/04/2025	1.29%

Investment Adviser's report (continued)

Investment strategies

This table shows the broad disposition of the portfolio at the end of the period with a comparison to the end of March:

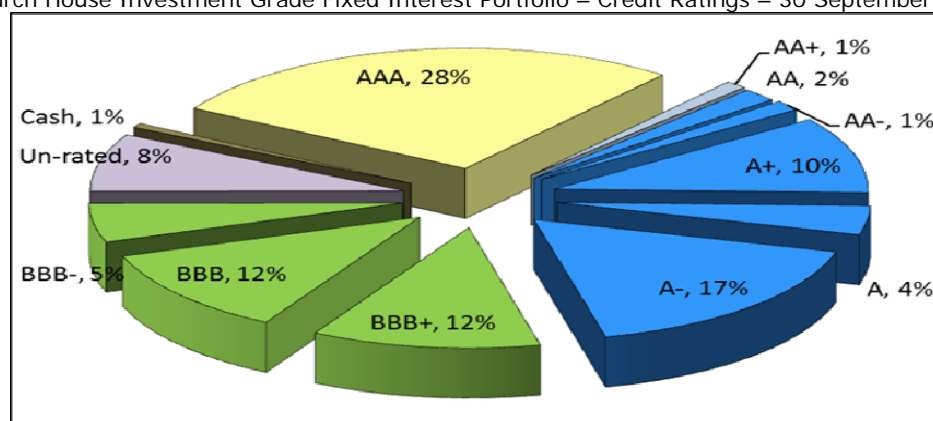
S&W Church House Investment Grade Fixed Interest Portfolio Statistics

	Sep-13	Mar-13
Short-dated Securities (less than 5 years)	36%	33%
Medium-dated Securities (5 to 15 years)	49%	47%
Long-dated Securities (over 15 years)	15%	20%
Average Life of Holdings	9 years	10.1 years
Duration of Portfolio (Macaulay)	5.8	6.4
Volatility* (past year)	5.30%	3.40%
Number of Holdings	137	144
Gross Yield	4.00%	4.00%
Net Yield	3.20%	3.20%
Portfolio Value	£112m	£106m

*Annual standard deviation of monthly returns as a percentage

The pie chart below shows the breakdown of the portfolio by credit rating. For simplicity we use the Standard & Poor's notation: AAA, AA, A, BBB etc, varied with +/- . A security that S&P describes as AAA, Moody's will denote as Aaa while S&P's BBB+ broadly equates to Moody's Baa1. We do not invest in securities with ratings below 'investment grade', i.e. those rated lower than BBB-; 'unrated' does not mean sub investment grade, simply that they do not have a rating. Sub-investment grade ratings (sometimes referred to as 'junk') carry on down another sixteen notches to 'D' (in default).

Church House Investment Grade Fixed Interest Portfolio – Credit Ratings – 30 September 2013



Source: Church House Investments Limited

James Mahon
Church House Investments Limited
October 2013

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 medium category because the price of its investments have risen or fallen to some extent. 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.

There is a risk that bond issuers may fail to meet 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.

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	30.09.13	31.03.13	31.03.12	31.03.11
Income units	90,933,033	84,368,170	58,639,323	44,725,858
Accumulation units	8,211,974	7,769,026	6,789,743	3,752,905
Net Asset Value (NAV)	£	£	£	£
Total NAV of the Fund	111,927,422	106,808,189	70,839,126	50,314,642
NAV attributable to income unitholders	100,390,069	95,529,487	61,942,429	45,709,827
NAV attributable to accumulation unitholders	11,537,353	11,278,702	8,896,697	4,604,815
Net asset value per unit (based on bid value)	p	p	p	p
Income units	110.1	113.2	105.6	102.2
Accumulation units	143.8	145.2	131.0	122.7
Quoted prices (based on bid value)	p	p	p	p
Income units	111.0	114.1	106.5	102.9
Accumulation units	144.5	146.2	132.1	123.5

Units were first issued 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	3.800	104.4	89.15
2008	Accumulation units	4.081	111.7	98.19
2009	Income units	3.968	105.6	87.78
2009	Accumulation units	4.440	120.0	98.58
2010	Income units	3.386	112.4	99.49
2010	Accumulation units	3.941	132.9	115.2
2011	Income units	3.364	130.9	100.4
2011	Accumulation units	4.085	136.9	120.5
2012	Income units	3.466	119.7	103.4
2012	Accumulation units	4.356	152.4	128.3
2013*	Income units	2.504	122.9	108.9
2013*	Accumulation units	3.234	158.8	141.4

* to 30 September 2013

Distributions paid / allocated in the current and prior period:

Income units	Payment date	p	Payment date	p
	31.08.13	0.814	31.08.12	1.035
	30.11.13	0.806	30.11.12	0.784
Accumulation units	Allocation date	p	Allocation date	p
	31.08.13	1.052	31.08.12	1.295
	30.11.13	1.049	30.11.12	0.991

Ongoing charges figure (OCF)

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 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.

	30.09.13 ^	31.03.13
Annual management charge	0.85%	0.85%
Other expenses	0.06%	0.08%
Ongoing charges figure	<u>0.91%</u>	<u>0.93%</u>

^ Annualised based on the expenses incurred during the period 1 April 2013 to 30 September 2013.

Please note the ongoing charges figure is indicative of the charges which the Fund may incur in a year as it is calculated on historical data.

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 period and the previous year, and the major ten holdings in the Fund at the end of the current period and the previous year.

Investment and geographical classification

Investment Type	Percentage of the total net assets as at 30.09.13	Percentage of the total net assets as at 31.03.13
Debt Securities denominated in UK sterling: *		
AAA to AA	29.34%	31.13%
AA- to A+	6.86%	8.23%
A to A-	23.27%	25.04%
BBB+ to BBB	26.84%	23.41%
BBB- and below	8.20%	6.58%
Default	-	-
Equities - United Kingdom	4.70%	4.62%
	99.21%	99.01%
Other net assets	0.79%	0.99%
Total net assets	100.00%	100.00%

* Debt securities are grouped by credit ratings: Source - Interactive Data & Bloomberg.

Major ten holdings at the end of the current period

Holding	Percentage of the total net assets as at 30.09.13
Close Brothers Group 6.5% 10/02/17	1.93%
Barclays Bank 2.01025% 20/01/2015	1.92%
British Telecommunications 8.5% 07/12/2016	1.87%
HICL Infrastructure	1.82%
JPMorgan Chase & Co 1.05125% 30/05/2017	1.58%
Bank of Scotland 4.875% 20/12/2024	1.50%
RWE 7% perpetual	1.39%
Veolia Environnement 4.85% perpetual	1.38%
BAE Systems 4.125% 08/06/2022	1.36%
Electricite de France 6% perpetual	1.35%

Major ten holdings at the end of the previous year

Holding	Percentage of the total net assets as at 31.03.13
UK Treasury 5% 07/09/2014	3.00%
Barclays Bank 2.01125% 20/01/2015	2.01%
HICL Infrastructure	1.87%
Close Brothers Group 6.5% 10/02/2017	1.58%
RWE 7% Perpetual	1.50%
BAE Systems 4.125% 08/06/2022	1.47%
Clydesdale Bank 4.625% 08/06/2026	1.37%
Heathrow Funding Index Linked 3.334% 09/12/2039	1.35%
RSA Insurance Group 9.375% 20/05/2039	1.34%
Legal & General Group 10% 23/07/2041	1.30%

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
Michael Lea
Gareth Pearce - resigned 26 September 2013
Kevin Stopps
Paul Wyse
Philip Moody
Tim Lyford
David Cobb - appointed 26 September 2013
Jocelyn Dalrymple

Investment Adviser

Church House Investments Limited
York House
6 Coldharbour
Sherborne
Dorset DT9 4JW
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