

S&W Church House Balanced Value and Income Fund

Interim Short Report

for the six months ended 30 September 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 Interim Short Report for S&W Church House Balanced Value and Income 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 Prospectus or the Interim 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 Interim 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

The Manager may impose a charge on the purchase of units in each class. The current initial charge is 5% of the value of each unit.

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 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 rose 2.8%.

Capital performance to:	30 September 2013	2 April 2013	% Change
S&W Church House Balanced Value and Income Fund	164.2	159.7	+2.80%
FTSE Higher-Yield Index	3,507	3,523	-0.40%
FTSE All-Share Index	3,444	3,420	+0.70%
FT Index-Linked All Stocks	452	482	-6.20%

Source: Bloomberg

Investment activity

We were more active than usual in the portfolio over the first three months of this period in response to the volatility in asset prices. Having built a significant position in index-linked gilts earlier in the year, prices for these stocks moved to unrealistic levels in early April and we sold the entire holdings in UK Treasury 4.125% Index Linked 22/07/2030 stock and the Bank of Scotland 1.835% Index Linked 24/03/2016. In this (normally) less volatile area of the portfolio we have added two convertible holdings: Electra Private Equity 5% 29/12/2017 and a new JPMorgan Global Convertibles Income Fund. We took profits on the BT Group holding and switched to British Sky Broadcasting Group, improving the dividend yield. We also added to the holdings of Reckitt Benckiser Group, Diageo, Unilever and Sage Group. But there was a tactical change here too with increased exposure to the Oil & Gas, Basic Materials and Financials sectors; adding to BHP Billiton, BP, Johnson Matthey, Royal Dutch Shell 'B' and Rio Tinto. Lloyds based insurance company Amlin is a new holding in Financials.

The latter three months were quieter for the Fund. We made no changes to the index-linked holdings; added modestly to the holding of Electra Private Equity 5% 29/12/2017 convertible stock and took-up the offer of new shares from GCP Infrastructure Investments. We also took an initial offering of Renewables Infrastructure, we know the management company well (they also manage HICL Infrastructure) and liked their mix of onshore wind farms and solar energy. Among the mid-cap investments, we halved the holding in Dairy Crest Group which had been markedly re-rated since the depressed levels of 2012.

The top fifteen holdings at the end of the period can be seen in the following table.

Top 15 holdings 30 September 2013

Vodafone Group	5.7%
Royal Dutch Shell 'B'	5.6%
HSBC Holdings	5.3%
GlaxoSmithKline	4.5%
BP	3.2%
Diageo	2.8%
BHP Billiton	2.4%
AstraZeneca	2.3%
Tesco	2.2%
Reckitt Benckiser Group	2.2%
Imperial Tobacco Group	2.0%
Reed Elsevier	2.0%
Cerravision	2.0%
Legal & General Group	1.8%
Unilever	1.8%

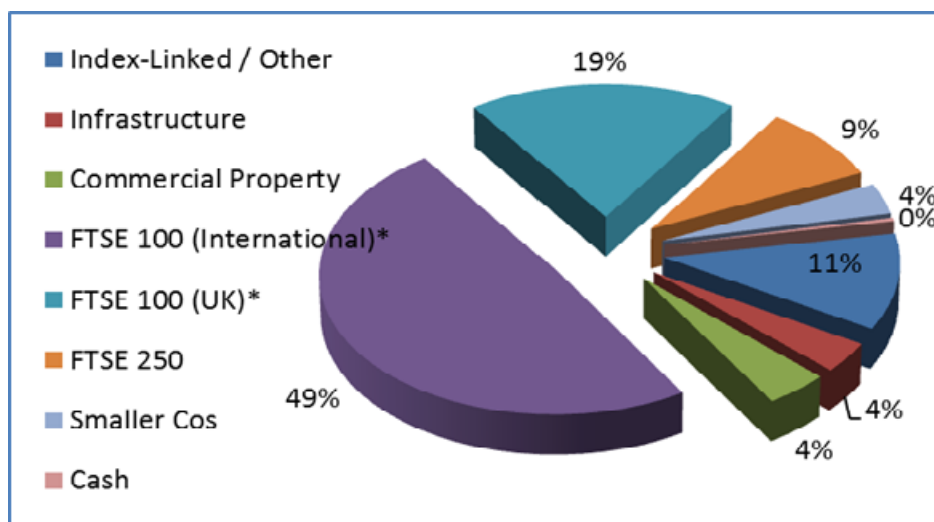
Vodafone Group is now the largest holding, following a small additional purchase at the beginning of September. Reckitt Benckiser Group moves up a shade following an addition to this holding, otherwise the list is little changed from the end of June.

Investment Adviser's report (continued)

Investment strategy and outlook

S&W Church House Balanced Value and Income Fund portfolio is principally invested in UK equities, but a proportion (typically around 15%) is invested in Index-Linked, other fixed interest securities and infrastructure investment companies. Equities listed overseas may be included to a limited extent. We aim to achieve the Fund's objectives at levels of volatility lower than the UK equity market generally. The pie chart below illustrates the disposition at the end of the period:

Church House Balanced Value and Income Fund – Disposition of Assets – 30 September 2013



Source: Church House Investments Limited

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

At the end of the period, the portfolio consisted of 61 investments with an overall beta of around 0.82. Volatility over the past year (income units) has been 8.5%; the volatility of the FTSE All-Share Index was 11.3% over the same period (source: Bloomberg).

James Mahon
Church House Investments Limited
October 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 the 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	30.09.13	31.03.13	31.03.12	31.03.11
Income units	19,377,497	18,604,993	18,419,759	19,091,059
Accumulation units	1,672,935	1,703,934	1,818,309	1,955,034
Net Asset Value (NAV)	£	£	£	£
Total NAV of Fund	34,695,640	32,853,026	29,179,024	30,041,501
NAV attributable to income unitholders	31,317,698	29,533,448	26,130,003	26,880,211
NAV attributable to accumulation unitholders	3,377,942	3,319,578	3,049,021	3,161,290
Net asset value per unit (based on bid value)	p	p	p	p
Income units	161.6	158.7	141.9	140.8
Accumulation units	201.9	194.8	167.7	161.7
Quoted prices (based on bid value)	p	p	p	p
Income units	164.2	161.1	144.0	141.9
Accumulation units	205.1	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	6.018	177.7	148.2
2013*	Accumulation units	7.455	222.1	181.8

*to 30 September 2013

Distributions in the current and prior period:

Income units			
Payment date	p	Payment date	p
31.05.13	2.856	31.05.12	2.674
30.11.13	3.162	30.11.12	2.770
Accumulation units			
Allocation date	p	Allocation date	p
31.05.13	3.505	31.05.12	3.160
30.11.13	3.950	30.11.12	3.335

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.

	31.09.13 [^]	31.03.13
Annual management charge	1.50%	1.45%
Other expenses	0.09%	0.09%
Ongoing charges figure	<u>1.54%</u>	<u>1.54%</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 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*		
AAA to AA	0.00%	2.33%
A to A-	5.86%	8.78%
BBB+ to BBB	2.24%	1.45%
Convertible Bonds	1.04%	0.00%
Equities - United Kingdom	89.63%	87.06%
	98.77%	99.62%
Other net assets	1.23%	0.38%
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 30.09.13	Percentage of the total net assets as at 31.03.13
Debt Securities - denominated in UK sterling	9.14%	12.56%
Equities - United Kingdom	89.63%	87.06%
	98.77%	99.62%
Other net assets	1.23%	0.38%
Total net assets	100.00%	100.00%

Major ten holdings at the end of the current period

	Percentage of the total net assets as at 30.09.13
Vodafone Group	5.68%
Royal Dutch Shell 'B'	5.55%
HSBC Holdings	5.30%
GlaxoSmithKline	4.51%
BP	3.20%
Diageo	2.83%
BHP Billiton	2.35%
AstraZeneca	2.32%
Tesco	2.19%
Reckitt Benckiser Group	2.15%

Major ten holdings at the end of the previous year

Holding	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%

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

Investment Adviser

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Authorised and regulated by the Financial Conduct Authority

Trustee

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Authorised and regulated by the Financial Conduct Authority

Auditor

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