

## Interim Short Report - 01 March 2014 to 31 August 2014

# ConBrio B.E.S.T Income Fund

### Fund Facts

Launch date:	02 May 2006
Ex-dividend dates:	1 December, 1 March, 1 June and 1 September
Income dates:	27 February, 27 May, 27 August and 27 November
IMA Sector:	UK Equity Income

### Investment Objective and Policy

To predominantly generate a relatively high level of current income, together with income growth and some capital growth over the long term. The investment policy of the Fund is to invest principally in a portfolio of UK equities, although money market instruments, collective investment schemes, deposits, warrants, derivatives (for hedging purposes) and other permitted investments and transactions may also be invested in.

In seeking to achieve the stated investment objective, consideration will be given not only to traditional business and financial criteria, but also to environmental, ethical, social, governance and other similar issues. This is reflected in the name of the Fund where "B.E.S.T." is intended to indicate the investment criteria that will be applied to the Fund: Business, Environmental/Ethical, Social/Governance, and Transparency.

### Investment Risks

The Fund holds equities concentrated by location in the UK. Equities, as an asset class, tend to experience higher volatility than many other asset types such as bonds or money market instruments. Funds concentrated in one geographic location are more vulnerable to market sentiment in that specific location and can carry a higher risk than funds holding more diversified assets.

### Performance Record (in pence per share)

Share Class	General Income		Institutional Income		Charity Income	
	High	Low	High	Low	High	Low
2009	71.18	49.39	74.82	48.53	70.77	49.14
2010	75.01	63.06	75.41	62.89	75.52	63.26
2011	75.45	61.51	75.44	61.74	75.98	62.32
2012	69.23	60.61	69.64	61.03	70.38	61.70
2013	78.01	68.47	79.05	69.17	80.03	70.04
2014 <sup>1</sup>	79.33	74.76	80.85	76.28	81.86	77.23

<sup>1</sup>To 31 August 2014.

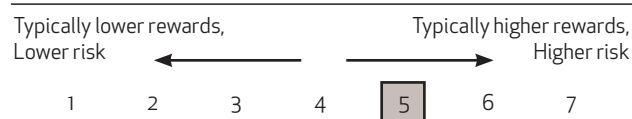
### Net Asset Values (in pence per share)

Share Class	General Income	Institutional Income	Charity Income
28.02.2013	71.54	72.36	73.27
28.02.2014	78.39	79.90	80.90
31.08.2014	76.49	78.07	79.03

### Dividend Distribution (in pence per share)

Period end	Paid	General Income	Institutional Income	Charity Income
31.05.2014	27.08.2014	0.9224	0.9385	0.9548
31.08.2014	27.11.2014	1.0267	1.0475	1.0606

### Risk and Reward Indicator (RRI)



The Fund is ranked as five because it has experienced medium to high rises and falls in value over the past five years. Please note that even the lowest ranking does not mean a risk-free investment.

### Ongoing Charges Figures (OCF)

	31.08.2014	28.02.2014
General Income Shares	1.92%	1.85%
Institutional Income Shares	1.67%	1.60%
Charity Income Shares	1.67%	1.60%

The ongoing charges figure is based on the last six months' expenses for the period ending 31 August 2014 and may vary from year to year. It excludes the costs of buying or selling assets for the Fund (unless these assets are shares of another fund).

## Review & Outlook

During the reporting period, the portfolio achieved a total return of +0.2% based on the Charity Income Shares, exactly matching the return for the IMA UK Equity Income peer group.

The review period saw UK equities little changed in capital performance terms. Having fallen initially on the unrest in the Ukraine, markets recovered as all-out war failed to materialise and investors returned their focus to the accommodative monetary policies still in place. Later in the summer, equities wobbled again given concerns over Eurozone deflation and slowing Chinese growth risks. At the same time, continuing tensions in the Ukraine and an upsurge in Middle Eastern terrorism provided a tense geopolitical backdrop. The period nonetheless finished strongly with both US and UK central banks appearing to push back the anticipated time for the first interest rate rise.

During the reporting period, the Fund has seen several changes based upon our assessment of differing valuations and prospects on offer in the market. A position was taken in the John Laing Environmental Assets fund, to sit alongside the existing holdings in renewable energy infrastructure which we like for the high and growing dividend streams. Towards the end of the period, new positions were taken in construction companies Carillion and Balfour Beatty. The two companies had held exploratory merger talks but these ultimately collapsed; meanwhile Carillion's valuation appears attractive whilst the troubled Balfour Beatty should see an operational turnaround unlock substantial hidden capital upside. We believe both of these companies have suitable policies in place to cover Environmental, Social and Governance factors and therefore also meet the fund's criteria for investment on these grounds.

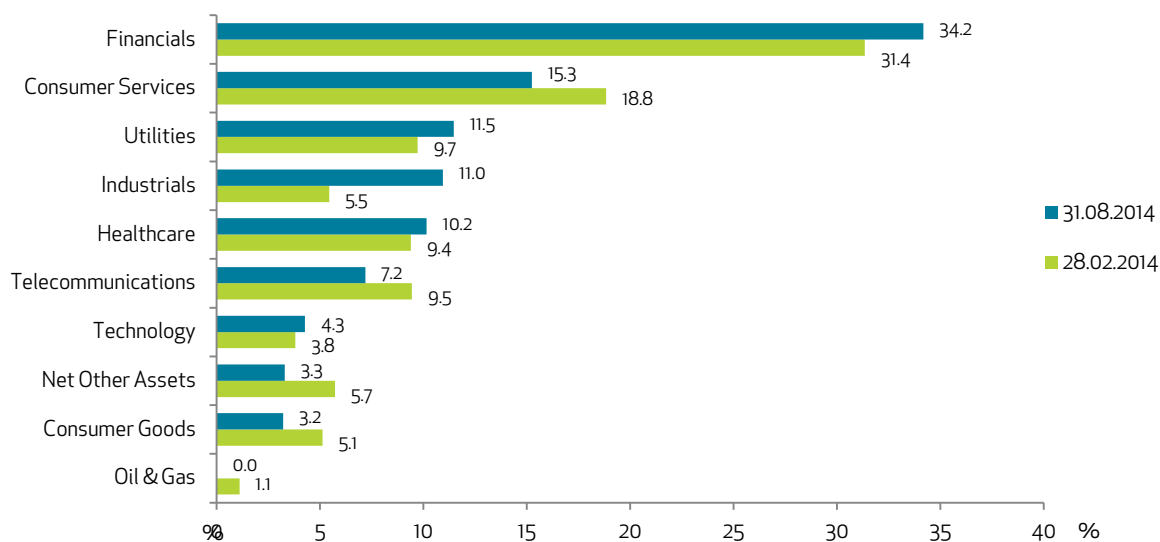
On the sale side, partial profits were taken in names such as BT and Go-Ahead Group. Four holdings were exited completely, of which three – Britvic, Compass Group and Investec – were largely driven by valuation criteria and the view that long term returns to the Fund from these

holdings would likely be modest at best from here. Petrofac was sold following a review against our screening criteria, where we ultimately decided that its exposure to offshore wind power generation and CCS (Carbon capture and storage) would ultimately always be minority interests in an oil and gas focused company, which therefore sits at odds with the criteria of excluding oil and gas producers from the investable universe.

The coming months could make for interesting times in financial markets, with interesting a particularly bland euphemism for the myriad of uncertainties that need resolving. The Federal Reserve will shortly finish the tapering of quantitative easing, taking away one support from markets. It is now clearly a case of "when", not "if", interest rates in the UK and US start to rise off their current emergency levels; Western economies are at differing stages, with the Eurozone still under pressure and lagging behind the transatlantic recovery. Meanwhile, equity valuations – particularly in the US – are rich compared to history and lacking support from earnings upgrades, whilst signs of excessive optimism and relaxed lending standards are apparent in many debt markets. Nonetheless, if the current economic grind can give way to a more positive environment, these may be transitory rather than presaging more widespread concerns for equities. Policymakers are commenting on apparent speculative behaviour, giving investors a steer to tread warily.

Source: Castlefield Investment Partners, October 2014. Performance data taken from FE Analytics, quoted on a total return, bid to bid, UK sterling basis. Past performance is not a guide to future returns.

## Asset Allocation



### Top Ten Holdings as at 31.08.2014

GlaxoSmithKline	5.23%
National Grid	5.11%
AstraZeneca	4.93%
British Land	4.46%
SSE	4.26%
HSBC Holdings	3.84%
Capita	3.58%
Greencoat UK Wind	3.35%
BT	3.25%
Vodafone Group	3.07%

### Top Ten Holdings as at 28.02.2014

GlaxoSmithKline	5.42%
BT	4.52%
National Grid	4.34%
AstraZeneca	3.98%
British Land	3.88%
Go-Ahead	3.69%
SSE	3.61%
HSBC Holdings	3.39%
Vodafone Group	3.39%
Provident Financial	3.36%

# What Does It Mean?

If you come across the odd word or phrase within your report that you are unfamiliar with, here is a glossary to help explain a few key terms.

## Accumulation Shares

Any income made by the Fund will be reinvested to grow the value of your investment.

## Alternative Assets

Types of non-traditional investments, which could include hedge funds and commodities for example and which are designed to help diversify a portfolio as they tend not to move in the same direction as the stock market.

## Autocall

An autocall structured product has the potential to mature before the end of the product's life, if certain predetermined market conditions are reached. The investor will usually receive a pre-defined return.

## Bonds

Issued by companies or governments and similar to a loan in nature, usually paying a fixed or variable interest rate.

## Corporate Bonds

Issued by companies and similar to a loan in nature, usually paying a fixed rate of interest.

## Credit Rating

A score awarded by an independent rating agency to indicate the financial strength of the issuer of a corporate bond, and the potential for a default on interest and principal payments. Bonds issued and backed by developed market governments are generally considered superior to bonds rated 'AAA'. The top credit rating is 'AAA'. The lowest rating to be considered 'investment grade' is 'BBB'. Below 'BBB', bonds are termed 'sub investment grade' or 'high yield'.

## Credit Spreads

Can be used to describe the difference in yield between securities, due to different credit quality.

## Duration

A measure of the price sensitivity of a fixed income investment / fund to a change in interest rates.

## Equities

Another name for shares in a company.

## Fixed Income Assets

Investments that pay out a set level of income, such as bonds or gilts.

## FTSE® 100 INDEX

A share index of the 100 largest companies, by market capitalisation, listed on the UK stock exchange and could include, for example, familiar household names such as BP, Marks & Spencer and Vodafone.

## Funds

A general term used to describe collective investment schemes, such as unit trusts, open-ended investment companies and closed-ended investment companies.

## GDP

Gross Domestic Product (GDP) refers to the market value of all officially recognised final goods and services produced within a country in a given period.

## Gilts

A bond issued by the UK government.

## Hedging

A way of offsetting the potential losses that may be incurred by an investment.

## Income Shares

Any income made by the Fund will be paid out to you.

## Inflation Hedge

A way in which to protect capital against the effects of inflation.

## Investment Grade Bond

A bond that is assigned a rating in the top four categories by commercial credit rating companies. S&P classifies investment grade bonds as BBB or higher, and Moody's classifies investment grade bonds as BAA or higher.

## Investment Trust

A company set up to buy and sell shares in other companies and is run by a Board of Directors.

## LIBOR

The average interest rate estimated by leading banks in London that they would be charged if borrowing from other banks.

## Market Capitalisation (market cap)

The total value of the shares of a company.

## Net Asset Value (NAV)

Used to value shares of a company, calculated by taking the total assets and deducting the total liabilities.

## OEIC

An 'Open Ended Investment Company' - this is similar to a unit trust. Investors pool their money together to invest in a range of different assets such as bonds, equities, property, cash etc. Each OEIC will have an investment objective, stated in a prospectus document, which could be to produce long term growth or generate a regular income.

## OCF

The Ongoing Charges Figure (OCF) is designed to give you an accurate measure of what it costs to invest in a fund and helps you compare this cost between different funds. It includes the annual management charge (used to pay the investment manager, fund accountant and fund administrator for example) and other operating costs, such as fees paid to the Trustee, Auditor, Custodian and Regulator.

## Options

A financial contract that enables the holder to purchase or sell a certain number of shares at a future date and at a known price.

## Quantitative Easing

A government policy used to increase the money supply within an economy, by flooding the financial system with money.

## RRI

The Risk and Reward Indicator (RRI) demonstrates where a 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 indicator of the future risk profile of the Fund.

## Structured Products/Investments

A group of financial instruments which frequently combine the potential upside of market performance with limited downside. They may also provide a fixed return in exchange for accepting a degree of risk or may generate gains from market falls. They can also be used within a Fund to help manage the impact of large stockmarket fluctuations.

## Synthetic Zeros

A form of structured product which also has a pre defined return profile and a set maturity date whilst being exposed to a degree of credit and equity market risk. Synthetic zeros are usually linked to major, well known indices, such as the FTSE 100, but with much less risk than investing directly in the index itself.

## Top Down Asset Allocation

An investment approach that looks to review the economic landscape prior to delving down into sector and company specifics.

## Transferable Securities

A general term used to describe a broad range of investments such as bonds and company shares for example.

## Volatility

Refers to the frequency and severity with which the price of an investment goes up and down.

## Weighted Average Maturity (WAM)

The average time until maturity of all the underlying holdings of a fund.

## Yield

The amount of income paid or expected to be paid from each share held. The yield is calculated and quoted as a percentage.

## Zero Dividend Preference Shares

Shares that do not receive an income but instead pay out a return at the end of the investment's fixed life.

Please visit our website to see our glossary in full.

Available online  
[theconbriofunds.co.uk](http://theconbriofunds.co.uk)



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