

## Interim Short Report – 29 February 2016 to 31 August 2016

# Castlefield UK Opportunities Fund

### Fund Facts

Launch date:	01 June 2007
Ex-dividend dates:	28 February, 31st May, 31 August and 30 November
Income dates:	27 May, 27 August, 27 November and 27 February
IMA Sector:	UK All Companies

### Investment Objective and Policy

The investment objective of the Castlefield UK Opportunities Fund is to invest primarily for long term capital growth from a portfolio of investments. The investment policy of the sub-fund is to actively invest in those companies, primarily within the UK, where the Manager believes there are above average opportunities for growth.

### Investment Risks

The Fund holds equities concentrated by location in the UK. Equities 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.

### Risk and Reward Indicator (RRI)

Typically lower rewards, Typically higher rewards,



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The Fund is ranked as six because it has experienced relatively 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)

	31.08.2016	28.02.2016
General Income Shares	1.88%	1.93%
Institutional Income Shares	1.38%	1.43%
Charity Income Shares	1.13%	1.18%

The ongoing charges figure is based on the last year's expenses for the period ending 31 August 2016 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).

### Performance Record (in pence per share)

Share Class	General Income		Institutional Income		Charity Income	
	High	Low	High	Low	High	Low
2015	365.96	303.97	371.70	308.56	375.24	311.40
2016	377.83	313.11	384.07	318.20	387.74	321.20
2016 <sup>1</sup>	368.79	322.64	374.85	327.68	378.42	330.67

<sup>1</sup> To 31 August 2016

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

Share Class	General Income	Institutional Income	Charity Income
28.02.2015	365.50	371.08	374.39
28.02.2016	337.86	343.01	346.08
31.08.2016	361.23	366.75	370.03

### Dividend Distribution (in pence per share)

Period End	Paid	General Income	Institutional Income	Charity Income
28.02.2016	27.05.2016	0.3466	0.7734	0.9931
31.05.2016	27.08.2016	2.1030	2.5864	2.8344
31.08.2016	27.11.2016	1.4071	1.8801	2.124

## Review & Outlook

During the six months under review the fund returned 8.52% compared to a return from the IA UK All Companies peer group of 10.9%.

With the UK market hitting a multi-year low point in mid-February, shortly before the beginning of this reporting period, the fund staged a strong recovery in line with the wider market through the initial stages of the half. The concerns about the Chinese economy prevalent at the time as well as the trajectory of UK monetary policy abated. As the period progressed, the focus inevitably shifted towards the referendum in late June about the UK's future membership of the EU. With a result that surprised many, the event in large part determined the outcome for many of the best performing stocks and sectors for the period. The impact was felt immediately in currency markets with sterling falling against major currencies such as the US Dollar, Yen and Euro. This gave an immediate boost to the share prices of companies with a large proportion of revenues derived from overseas or with large, dollar denominated asset bases such as the mining and oil and gas sector constituents. Domestic stocks such as retailers, telecoms and real estate all suffered as the fears over likely job losses from city firms in particular hit those stocks amid concerns over a slowdown in the domestic economy.

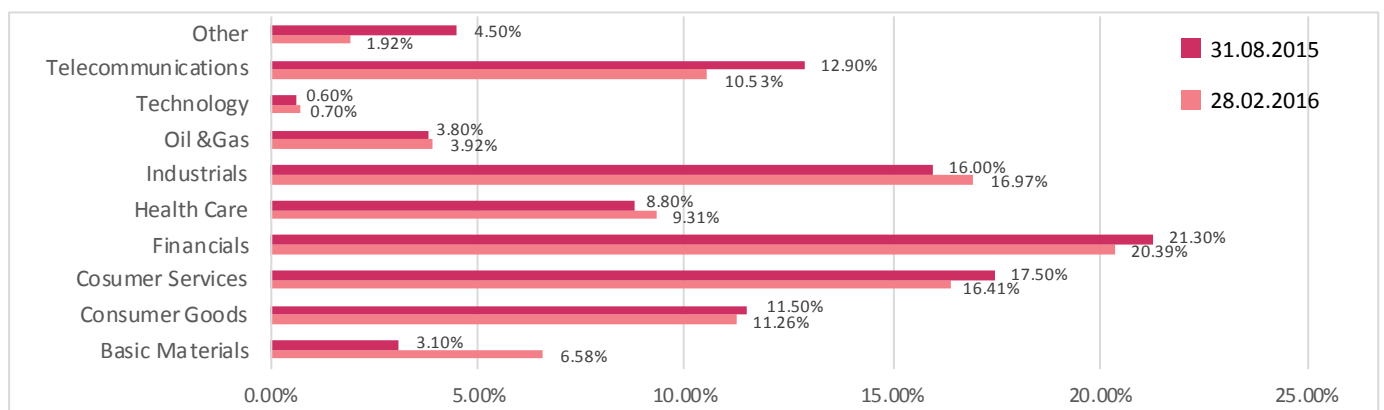
During the period, we took the opportunity to build a position in environmental consultancy firm RPS. The group has operations globally and provides services to corporates, national agencies and governments. With a particular focus on the "built environment", services can cover projects as varied as geological surveys to town planning projects. The group does have a business segment devoted to the Oil and Gas sector, an obvious service-offering for a company of its ilk, however the sustained low oil price has negatively impacted the share price of RPS amid fears of a continued slowdown in capex by the oil and gas majors. Whilst this has affected the reported numbers for prior periods, the share price at the

point at which we built a stake did not fully reflect the growth from the other business units. In fact, the level of pessimism relating to the oil & gas unit meant that the division was effectively being overlooked by the market entirely. Whilst we do not have any better visibility over oil price levels than anyone else, as with other key holdings in the oil & Gas related sector, we prefer to take on exposure to those companies that provide services to the asset owners and can derive meaningful earnings growth without being exposed to the balance sheet risk of owning volatile commodities. RPS very much fits this mould and should a gradual recovery emerge in activity within the oil sector, the pace of earnings growth should quicken appreciably.

With the UK having voted to leave the EU but as yet, not commenced negotiations to effect such a move, there is a sense of some consolidation whilst policy makers familiarise themselves with the new political playing field. Whilst it has been all change at the top of the political party who must now negotiate on our behalf, one thing has become apparent and that is that the immediate financial crisis predicted by some has not come to pass. What has emerged in share price terms has been a snap reaction driven by currency movements and it remains too early to tell how the exit negotiations will play out. The attention of the world is increasingly moving to the next political event, the US Presidential Election in November. If the polls are to be believed (and why would they be after the recent experience of the last UK general election and then Brexit referendum) then Trump is facing an increasingly uphill battle to win. Regardless of the outcome, with the US Fed likely to tighten rates again late this year or early in the next there are many drivers of the US economy that are beyond the reach of the White House.

Source: Castlefield Investments, October 2016. Performance taken from FE Analytics, based on General Income shares on a bid to bid, total return, UK Sterling basis. Past performance is not a guide to future returns.

## Asset Allocation



### Top Ten Holdings 31.08.2016

IG Group	6.39%
Hikma Pharmaceuticals	5.34%
BT Group	4.28%
RWS Holdings	4.27%
Prudential	4.09%
Park Plaza Hotels	3.98%
Meggitt	3.61%
Babcock International	3.56%
Vodafone	3.22%
Whitbread	3.21%

### Top Ten Holdings 28.02.2016

BT Group	5.64%
IG Group	5.47%
Hikma Pharmaceuticals	4.98%
Inmarsat	4.07%
Prudential	3.89%
Park Plaza Hotels	3.57%
RWS Holdings	3.43%
Glanbia	3.42%
Meggitt	3.40%
Babcock International	3.37%

## 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.



## Important Information

On 13 June 2016, Beever & Struthers, Chartered Accountants, replaced KPMG LLP as auditor of the Castlefield Funds.

Authorised Corporate Director Change - From 13 June 2016, Premier Portfolio Managers Limited ("Premier") will retire as the authorised corporate director ("ACD") of the Company in favour of Castlefield Fund Partners Limited ("Castlefield"), which is also an FCA authorised and regulated firm, who will then become the company's ACD. The Financial Conduct Authority (FCA) has provided confirmation that the changes being proposed will not affect the ongoing authorisation of the Company.

Also on this date the names of the funds will change to the following:

**New OEIC name:**

Castlefield Funds

**New Sub-Fund name:**

Castlefield Managed Multi-Asset Fund

Castlefield B.E.S.T. Income Fund

Castlefield UK Opportunities Fund

Castlefield UK Smaller Companies Fund

CFP SDL UK Buffettology Fund

Additional changes to the Depositary, Auditor, Administrator and Registrar can be found in the letter to Shareholders dated 8 April 2016.

For enquiries following the transfer to Castlefield, please contact them on 0161 233 4890 or by e-mail [funds@castlefield.com](mailto:funds@castlefield.com) or by visiting their website: [www.castlefield.com](http://www.castlefield.com).

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**Administrator & Registrar:**

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You should remember that past performance is not a guide to the future. The price of shares and the income from them may go down as well as up and you may get back less than you invested. A free, English language copy of the Funds' full prospectus, the Key Investor Information Document and Supplementary Information Document, which include all the important information you need to consider before making an investment decision, are available at [www.castlefield.com](http://www.castlefield.com).

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