

Investment objective

To seek a combination of income and long-term capital appreciation, but with a focus on income, with a medium risk investment profile.

Benchmark

The Fund is benchmarked against the WMA Income Index (Total Return) and will take active positions relative to this index on both asset allocation and stock selection. The Fund's broad asset allocation (split by equities, fixed income and alternatives) will typically be restricted to a range, relative to the benchmark, set by the CSI Investment Committee. For further information on the WMA and the CSI Investment Committee please see the Additional information.

On 1 March 2017 the WMA range of Private Investor comparators replaced FTSE International with indices provided by MSCI and Markit.

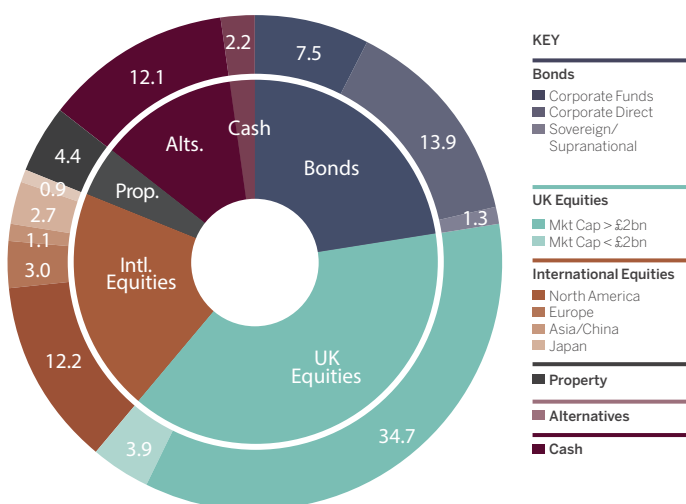
Investment policy

In order to achieve its objective, the Fund will invest principally in a diversified portfolio of different asset classes such as equities, equity linked securities (including warrants and convertible securities), fixed and floating rate debt securities, index linked bonds, cash and cash equivalents.

Debt securities (including sovereign and corporate) as well as higher yielding equities will be the dominant asset classes.

The Fund is invested principally in direct UK equities, sovereign and corporate debt, International equity collective funds (both active and passive) and infrastructure funds. In direct UK equities the Fund seeks to invest in a diverse range of companies with robust balance sheets that can support reasonable and growing levels of income. The Fund invests with a long term investment horizon and places emphasis on owning shares in high quality companies. These equities will predominantly be constituents of the FTSE 350 Index.

Asset allocation



Key information

Benchmark: MSCI WMA Income Index

Unit Price (A Dist Shares)	£1.05
Dividend Yield	3.4%
Dividend Payment (month end)	Jan, Apr, Jul, Oct
Inception	15-Apr-13

Fees:

A Shares	
Management Fee	1.00%
OCF (as at 31st Dec 2018)	1.39%

Distribution shares SEDOL	B94L4T8
Distribution shares ISIN	LU0904711479

Fund Manager (since 27/01/16)	Fred Mahon, CFA Karen Lau
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Top 10 direct holdings

	Percentage
1 UNILEVER PLC	2.4%
2 RELX PLC	2.3%
3 RIO TINTO PLC	2.1%
4 COMPASS GROUP PLC	2.0%
5 DIAGEO PLC	2.0%
6 SCHRODERS PLC	2.0%
7 ROYAL DUTCH SHELL PLC	1.9%
8 HALMA PLC	1.9%
9 PRUDENTIAL PLC	1.7%
10 BIG YELLOW GROUP PLC	1.7%

Top 10 fund holdings

	Percentage
1 TWENTYFOUR ABSOLUTE RETURN CREDIT	4.9%
2 CHURCH HOUSE INVESTMENT GRADE FIXED INT	4.6%
3 INVESCO PERPETUAL CORPORATE BOND	4.4%
4 VANGUARD S&P 500 ETF	3.7%
5 HSBC S&P 500 ETF	3.3%
6 CAPITAL GEARING TRUST	3.0%
7 PERSONAL ASSETS TRUSTS	3.0%
8 VANGUARD PACIFIC EX JAPAN INDEX	2.7%
9 GREENCOAT UK WIND	2.2%
10 HICL INFRASTRUCTURE	2.1%

Additional information

CSI Investment Committee: meets monthly and is responsible for ensuring that the funds are managed within the guidelines set by the Committee, monitoring performance and asset allocation. The Committee is made up of JM Finn investment managers.

WMA: The MSCI WMA Private Investor Index Series indices are the longest-running private investment price series in the UK. They are calculated by the Personal Investment Management & Financial Advice Association (PIMFA) formerly the WMA & APFA. www.pimfa.co.uk

Fund manager commentary

In the second quarter of 2019 the fund was up 4.7%, against the WMA Income Index that was up 3.3%.

Looking back on the quarter, there has been plenty for investors to think about. We saw another shift from the Federal Reserve (the Fed) in America who now seem to be preparing markets for a rate cut later in the year, an escalation in trade disputes from Donald Trump and the resignation of Mrs May from her post at 10 Downing Street. Against that backdrop we ended with a peculiar situation where assets traditionally associated with a risk off attitude (such as gold and bonds) and those associated with a risk on attitude (such as some equity markets) both reached recent highs. So far during 2019 cash certainly hasn't been king.

Our top performing equities year to date further highlight this dichotomy. **Rio Tinto** and **Schroders** are two of the more cyclical names held in the portfolio but have provided excellent returns for the Fund this year. At the same time, **Unilever** and **Halma** are much less likely to get the heart racing but still find themselves right at the top of the leader board.

In a year where many assets have performed well, it has been a good time to own shares in an asset manager. We would be surprised to see a cyclical name like **Schroders** consistently find itself as a top performer in the Fund quarter-on-quarter, however we hope that they continue to benefit from the excellent barriers to entry that they have built in a highly regulated market to generate significant value for shareholders over the long term.

Whilst the value of minerals extracted by Rio Tinto or markets in which Schroders invests may fluctuate from time to time, revenues earned by **Unilever** from their brands such as Lynx, Toni & Guy and Hellmann's have been much more predictable. Despite a strong run in the shares, we continue to see opportunities for the business to innovate in new brands, continue to improve their operational performance (and thus margins) and benefit from structural tailwinds in the faster growing emerging markets from which around 60% of their revenues are generated.

Whilst we are excited about the prospects of these

Performance summary

(% total return)

	3m	6m	1yr	3yr	Since Inception
CSI Income	4.7%	11.8%	5.3%	22.8%	33.8%
WMA Blended Income*	3.3%	10.8%	4.6%	23.6%	51.0%

Source: Cadelam and Factset

*Please note that the WMA performance data included is blended to reflect the FTSE WMA Series up to 1 March 2017 and the WMA MSCI Series thereafter.

Past performance is not a guide to future performance.

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companies now, we realise that circumstances change and that we will not necessarily get every decision right. That means that we are constantly reviewing our holdings and challenging our investment rationales.

Victrex has been one of our more cyclical names that has been a poor performer year to date. The business holds a market leading position in the production of PEEK (a lightweight, plastic alternative to metal for industrial use such as car gear boxes or phone speakers). Whilst we see huge potential in their strategy to move from the raw production of PEEK to developing specific parts for its use, we have been slightly disappointed in the traction that it has gained thus far and are worried about their exposure, as a business, to Chinese industrial production and global auto sales; neither of which appear in rude health.

Another disappointment has been the performance of **Reckitt Benckiser**. With a portfolio of brands that includes Nurofen, Dettol and Vanish you are unlikely to find many kitchens or bathrooms that don't regularly use their products. Unfortunately the operating performance from Reckitts hasn't been flawless and there have been too many one-off problems for us to be comfortable adding to our holding. The first half of this year has seen the announcement of a new CEO and we look forward to hearing about how the business might evolve under his stewardship.

Over the quarter we have added to our Property holdings in **LondonMetric**, **Big Yellow Group** and **Shaftesbury**. We see these as high quality operating businesses with exceptional management teams and an often irreplaceable set of freehold assets. With Brexit an easy reason to shy away from buying UK property, we see this as an opportunity within this Fund to be contrarian and to buy these long term compounding businesses on reasonable valuations.

The third quarter has started in the same vein that the second quarter finished with markets continuing to stretch for record highs. As ever, we think it important to remain disciplined and patient but flexible and decisive. Whilst it is tough to tell when we might get opportunities to buy excellent companies on attractive valuations, we are sure that they will arise.

Calendar year performance

(% total return)

	31.12.18–30.06.19	30.06.18–30.06.19	30.07.17–30.06.18
CSI Income	11.8%	5.3%	5.3%
WMA Blended Income*	10.8%	4.6%	6.2%

Source: Cadelam and Factset

This fund is not offered, sold or distributed in the United States or to US persons. The value of CSI Income shares may go down as well as up and you may not receive back all the money you invest. Investment should be made on the basis of the Prospectus and KIID, available on our website. You should seek professional advice as to the suitability of the Fund before investing. Values may be affected by fluctuations in exchange rates where assets in the Fund are denominated in currencies other than sterling. The information contained in this document is provided by JM Finn.