# JM FINN

# Coleman Street Investments | Income and Growth Portfolio | 30 June 2019

## Investment objective

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

## Benchmark

The Fund is benchmarked against the WMA Balanced 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.

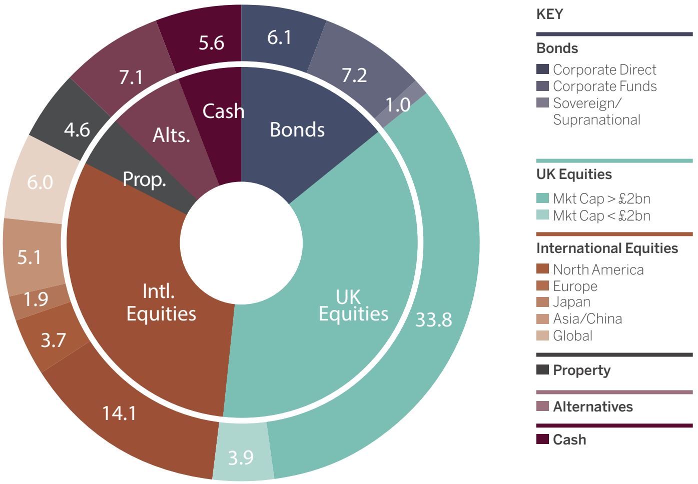
## Investment policy

In order to achieve its objective, the Fund will invest principally in a diversified portfolio of di erent 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.

The Fund is invested principally in direct UK equities, International equity collective funds (both active and passive), sovereign and corporate debt, and infrastructure funds.

In direct UK equities the Fund seeks to strike a balance between owning shares in the highest quality London-listed companies with exposure to long term structural growth and providing a reasonable level of dividend income. The Fund strives to be disciplined on valuation and not to overpay for either quality or income.

## Asset allocation




## Key information

**Benchmark: MSCI WMA Balanced Index**

| | |
|---|---|
| Unit Price (A Dist Shares) | £1.18 |
| Dividend Yield | 2.6% |
| 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) | 1.23% |

| | |
|---|---|
| Distribution shares SEDOL | B8F2X41 |
| Distribution shares ISIN | LU0904707444 |

| | |
|---|---|
| Fund Manager (since 01/07/19) | James Godrich |
| Co-fund Manager (since 27/01/16) | Karen Lau |

## Top 10 direct holdings

| | | Percentage |
|---|---|---|
| 1 | HALMA PLC | 2.6% |
| 2 | COMPASS GROUP PLC | 2.2% |
| 3 | UNILEVER PLC | 2.1% |
| 4 | RELX PLC | 2.1% |
| 5 | DIAGEO PLC | 1.9% |
| 6 | PRUDENTIAL PLC | 1.8% |
| 7 | SCHRODERS PLC | 1.8% |
| 8 | EXPERIAN PLC | 1.7% |
| 9 | CRODA INTERNATIONAL PLC | 1.7% |
| 10 | GENUS PLC | 1.6% |

## Top 10 fund holdings

| | | Percentage |
|---|---|---|
| 1 | VANGUARD S&P 500 ETF | 4.7% |
| 2 | TWENTYFOUR ABSOLUTE RETURN CREDIT | 4.3% |
| 3 | HSBC S&P 500 ETF | 4.0% |
| 4 | JUPITER EUROPEAN OPPORTUNITIES TRUST | 3.7% |
| 5 | STEWART ASIA PACIFIC LEADERS | 3.2% |
| 6 | CHURCH HOUSE INVESTMENT GRADE FIXED INCOME | 2.9% |
| 7 | POLAR CAPITAL FUNDS NORTH AMERICA | 2.7% |
| 8 | SYNCONA LTD | 2.3% |
| 9 | FUNDSMITH LLP EQUITY | 2.0% |
| 10 | CC JAPAN INCOME & GROWTH TRUST | 1.9% |

## 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 5.1%, against the WMA Balanced Index that was up 3.6%.

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. 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 Prudential 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, Experian and Halma are much less likely to get the heart racing but still find themselves right at the top of the leader board.

Whilst we continue to subscribe to the view that our favourite companies are those that compound earnings over time on good margins with little leverage and high returns on capital, investing in only these types of businesses might have meant missing out on the 41% rise in the price of iron ore year to date. During 2019, the mining giant, Rio Tinto has been a beneficiary of higher prices in the mineral used to make steel and the value of our holding has reacted accordingly. Although we are unlikely to hold benchmark weights in these types of commodity driven businesses, we will continue to invest in those where we see significant barriers to entry or cost advantages versus peers with an expectation that they will outperform the sector over the long term.

Halma has been a business that has featured regularly in our newsletters in recent times as a top performer and is one that certainly fits our 'favourite company' criteria. You may know them as a holding company with a number of underlying businesses which exist to help the world to be a safer, cleaner and healthier place. We recently met with management and are as impressed as ever with their approach to running and operating the business and look forward to continuing the journey alongside them as shareholders.

Whilst we are excited about the prospects of these companies now, we realise that circumstances change so 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.

## Performance summary

**(% total return)**

| | 3m | 6m | 1yr | 3yr | Since Inception |
|---|---|---|---|---|---|
| CSI Income & Growth | 5.1% | 12.1% | 5.6% | 29.4% | 38.4% |
| WMA Blended Balanced* | 3.6% | 11.6% | 5.0% | 27.6% | 59.3% |

Source: Cadelam and Factset

## Calendar year performance

**(% total return)**

| | 31.12.18–30.06.19 | 30.06.18–30.06.19 | 30.06.17–30.06.18 |
|---|---|---|---|
| CSI Income & Growth | 12.1% | 5.6% | 8.2% |
| WMA Blended Balanced* | 11.6% | 5.0% | 6.8% |

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.

**Registered Office:**
4 Coleman Street
London, EC2R 5TA

+44 (0) 20 7600 1660
info@jmfinn.com
www.jmfinn.com