

Cumulative performance

(% total return)

	3m	6m	1yr	3yr	5yr
CSI Income & Growth	-7.3%	-4.4%	2.8%	19.3%	31.7%
MSCI PIMFA Balanced	-2.2%	2.0%	7.8%	21.1%	31.8%

Source: Cadelam and Factset

Discrete 12 month performance

(% total return)

	31.03.18 31.03.17	31.03.19 31.03.18	31.03.20 31.03.19	31.03.21 31.03.20	31.03.22 31.03.21
CSI Income & Growth	1.9%	8.3%	-7.5%	25.6%	2.8%
MSCI PIMFA Balanced+	2.0%	6.7%	-7.9%	22.0%	7.8%

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

Past performance is not a reliable indicator of future results.

All performance figures shown are net of underlying fund charges.

*The yield reflects historic distributions declared over the past twelve months as a percentage of the mid-market unit price, as at the date shown and after the deduction of the funds expenses.

**Ongoing charge represents the direct costs of running a fund, which are deducted from the assets of the fund and provide a comparable number for the cost of investing. The annual management charge is included in the ongoing charge.

Fund manager commentary

During the quarter, the Fund returned -7.3%, against the PIMFA Balanced Index that returned -2.2%. Relative underperformance was driven by stock selection within UK equities. The first quarter of 2022 can be characterised as a period of sustained abnormal negative returns for most financial assets. It has been a challenging environment for long-term investors.

The quarter began with concerns that Central Banks had fallen behind the curve in raising interest rates to keep inflation at bay. The baton was passed to fears around the Russian invasion of Ukraine and the possibility that peacetime across much of the world had been taken for granted by more than one generation. Then, second order concerns from Russian actions arose in the form of the dramatic price rises in a number of commodities that are produced, refined or transported through Eastern Europe. Finally, this returned investors to worries that Central Banks would need to walk the tight rope of raising interest rates in order to control the resultant cost-push inflation without causing an increasingly fragile global economy to falter.

During economic stress, the time horizon of the average investor reduces dramatically. A greed-driven focus on the fastest amount of growth for the longest amount of time can turn to a fear-driven focus on realising capital either through a move to assets generating the most profit and income today or even an outright sale; it is this dramatic shift in sentiment that has negatively affected the recent performance of the funds. We believe our focus on buying high quality businesses at what we view to be a fair price and aspiring to own these assets for a long time helps to avoid the emotional states of fear and greed, which we believe to be detrimental to both health and wealth in the long run.

We have spoken in the past about preferring to use discounted cashflows to determine what we perceive to be a 'fair price' for an asset but we have not used this commentary to lay out our definition of what we perceive to be a high quality business. When seeking

a new investment for the CSI funds we are looking for businesses that are able to grow their sales at greater than GDP over the cycle. They should be able to maintain stable gross margins (suggesting pricing power for their good or service) and generate high operating margins (suggesting their good or service is not one that can be easily competed against). They should be able to turn these operating profits into cash (it is no use if all profits generated must be spent on machinery or inventory to keep the growth wheel spinning). They should enjoy high returns on capital (showing that more capital is not necessarily needed to drive the same growth) and they should do all of this with reasonable leverage (excessive debt can be toxic in the presence of an unexpected surprise). We think these businesses will survive war, inflation and interest rates and whilst their share prices may go through disappointing periods over the short term, when bought at a fair price, these businesses should deliver a pleasing result to shareholders over the long term.

One of the detractors to the fund's performance over the quarter was **Burberry**. Over the last twenty years, **Burberry** has grown revenues at a 9% compound annual growth rate. Its gross margin for the majority of that period has stayed reliably in the mid 60's, its operating margin has only occasionally drifted below 17% and it has spent only a small amount of its revenue on capital expenditure. Its return on capital has consistently and impressively remained above 20% and it currently holds £1.3bn in cash, nearly offsetting its £1.4bn of debt.

Burberry was established in 1856 and has operated through two world wars and high inflation and interest rates in the 1970's. Over the quarter, **Burberry** shares have fallen by a disappointing 7.9%, however over the last twenty years up to and including this quarter, the return to a long-standing **Burberry** shareholder would have been 642% - a compound annual growth rate of 10.5%.

We are not complacent about the challenges that face the global economy and the businesses that we own, but we are also not despondent or overly concerned about their future prospects. We are feeling neither fearful nor greedy.

Important information

Past performance is not a reliable indicator of future results. All performance figures shown are net of underlying fund charges.

The value of CSI Income & Growth 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 Key Investor Information Document (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.

Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, endorsed, reviewed or produced by MSCI. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

The information in this document does not constitute advice or a recommendation and you should not make any investment decisions on the basis of it. This document is for the information of the recipient only and should not be reproduced, copied or made available to others.

The fund is a Luxembourg domiciled open-ended investment company (SICAV) which is an EEA UCITS fund. The Management Company of the SICAV is Cadelux S.A., the Depositary, Administrative, Corporate and Domiciliary agent, Registrar and Transfer Agent is Delen Private Bank. JM Finn is the Investment Manager as appointed by Cadelux S.A. This Fund is not offered, sold or distributed in the United States or to US persons.