ISSUE 48 OCTOBER 2019

VIEWPOINT

The magazine for Chelsea Investors

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CHELSEA
Investment Intelligence™

WELCOME TO VIEWPOINT

DR JOHN HOLDER

Chairman, **Chelsea**

Welcome to the Autumn edition of Viewpoint. I don't know about you, but so far I've managed to hold on to the warm glow of a fantastic summer of sport. From the Cricket World Cup Super Overs to one of the greatest finals in Wimbledon history, it's been a joy. Now we only have the Rugby World Cup to distract us from the political and economic disarray we are facing.

As some respite from Brexit fatigue, we've chosen instead to focus on Asia and sustainable investing in the magazine, while our risk article, Chelsea VT Managed fund pages and our VCT piece all offer some tips on important considerations when investing in a fund.

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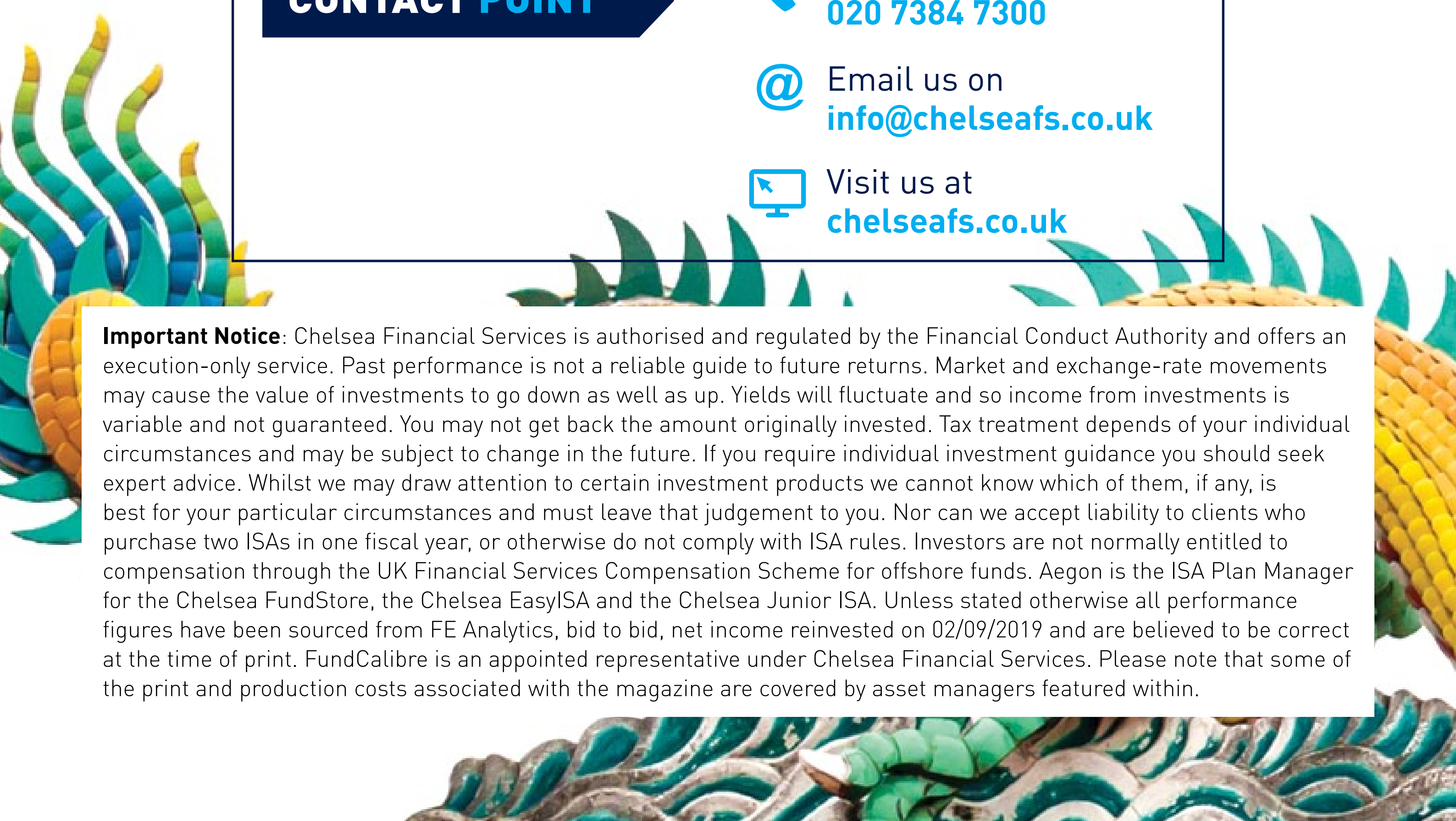

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HOW TO USE THE CHELSEA RISK RATING

The Chelsea Risk Rating appears throughout this magazine and is simply a generic guide to the relative risk of funds within the market. It is up to you to determine your optimum asset class mix. The Chelsea Risk Rating is shown in the form of a thermometer and is based on our in-house research. The Chelsea Risk Rating attempts to quantify the relative risk of funds, to give you an idea of how risky one fund is versus another.

A fund rated five, in the middle spectrum, does not mean it is suitable for medium risk investors. It indicates that according to historic volatility, and our understanding of the manager's investment process, we think that it is more risky than a fund rated four and less risky than a fund rated six. Even funds rated one are subject to risk. For a more detailed look at risk see page 5.

CHELSEA RISK THERMOMETER

Sector	Risk Rating
Emerging Markets	9-10
Japan	9-10
Technology	8-10
Asia Pacific ex Japan	7.5-10
UK Smaller Companies	7.5-8.5
Commodities	7-10
North America	6.5-8
Property Equities	6-8
Global Equities	6-8
Europe	6-8
UK All Companies	5-8
UK Equity Income	5-7
Mixed Investment 40-85% Shares	5-7
UK Equity & Bond Income	3.5-5
Mixed Investment 20-60% Shares	3.5-4.5
High Yield Bonds	3.5-4
Property	3-4
Absolute Return	2-7
Strategic Bonds	2-4
Global Bonds	2-4
Corporate Bonds	2-3.5
Gilts	2-3
Cash	1

MARKET VIEW

DARIUS MCDERMOTT

Managing Director,
Chelsea

At the risk of sounding like a broken record, there is a lot of uncertainty in the world today. High-stakes politics continue to dominate the headlines both here and abroad, trade wars are still being waged, global growth is still slowing and central banks are still intervening.

Leaving Brexit to one side (I could address it today, only for the situation to change tomorrow, so there seems little point), central banks around the world are concerned that growth is slowing too much. Their reaction? To hold or cut interest rates. Investor reaction? Stock and bond markets alike breathe a sigh of relief and head higher. It seems we are still addicted to quantitative easing and the hope that this economic cycle can go on forever – which of course it can't.

BOND MADNESS: THE YIELD IS NOT ENOUGH

Starting with the fixed income world, there are a couple of things we can now say for certain. The first is that the new Bond film (to be released in the last week of ISA season) is called '*No Time to Die*'. The second is that the bond market has gone bonkers.

Unless you are a parent (or maybe a sibling), you'd probably expect to get back any money you loan to someone - and maybe even a bit extra as a thank you. That's certainly the expectation of bond investors when they loan money to governments and companies. Or is it?

Some government bonds have provided negative inflation-adjusted 'real' terms for some time, but we now have a situation where $17 trillion worth of global bonds are now paying a negative nominal yield: basically, investors are paying for the privilege of lending their money to institutions. For example, today you can lend €100 to the German government, with the prospect of getting €93 back in 10 years time. Bargain!

In this environment you really need to be picky about where and what you are investing in. John Pattullo, co-manager of Janus Henderson Strategic Bond fund, elaborates on page 17.

ASIA: RARE GLIMPSE OF VALUE?

Asia is one of the few places we can still see value for investors. Since the global financial crisis began over a decade ago, the region has been at the mercy of a strong US dollar, persistent fears that the Chinese economy would fall off a cliff and, more recently, the ongoing trade war tit-for-tat.

The result is that, in local currency terms, the Asian stock market has lagged behind the US, Europe, Japan and the UK.

What's more, valuations for the region's stock market have almost halved on a price-to-book basis since the global financial crisis, and stocks are still trading below their long-term average. 'Price-to-book' (P/B) is a valuation metric that measures the market price per share against the book value (net asset value of a company according to its balance sheet) per share. A P/B of less than 1 suggests an investor is buying the company for less than the underlying assets are worth. As at the end of July 2019, the MSCI Asia Pacific ex Japan index trailing P/B ratio was 1.6 compared with 3 at its peak in 2007.

Given the continent is growing at a better rate than most of the rest of the world, has better demographics by and large, and the stock market is showing reasonable value, we think it is worth a closer look. So we asked three fund managers to give us their views (page 20).

From our own asset allocation point of view, we are slightly overweight Asia in all the VT Chelsea Managed funds, but generally the portfolios are quite balanced – we believe there is no point taking big bets when markets are reacting so quickly to every piece of news that makes the headlines.

And at the risk of sounding like a broken record.... the only way investors can avoid missing out on any market rallies, while at the same time avoiding the worst of any market falls, is to be diversified – and maybe consider topping-up existing holdings any time the market takes a dip.

LIQUIDITY RISK

Undoubtedly the biggest news since our last edition was the temporary suspension of the LF Woodford Equity Income fund.

JAMES YARDLEY

Senior Research Analyst, **Chelsea**

After three initial strong years at his eponymous firm, the story has gone sour for Neil Woodford. His investment style fell out of favour, which lead to poor performance and then a steady stream of outflows. He struggled to manage the volume of redemptions, forcing him to suspend trading on his fund. The finger of blame has been pointed at the large number of less liquid stocks in the portfolio. While we wait for the fund to start trading again, we look at what liquidity risk is, why it is important, and how investors can protect themselves in the future.

WHAT IS LIQUIDITY?

Liquidity refers to the ease with which an asset can be traded. A very liquid asset is one with lots of buyers and sellers, meaning if you wanted to sell there are lots of people there to buy it from you (this is often the case with larger-cap stocks). Less liquid assets are the opposite – they have very few buyers or sellers. The harder something is to sell, the more risky it becomes, as you may not be able to dispose of it quickly should you need to, for example if the stock falters, or if the fund's investors require their money back. If someone does need to sell a large quantity, in a short period of time, the price can often fall sharply leading to investor losses. The best way to relate to this is selling a house. Any home-owner will know that it can take months to sell or buy a home. If you wanted to sell it quickly, it is possible, but you wouldn't expect to get market value for it. The quicker you needed to sell it, the lower the price you need to be prepared to accept. If you weren't in such a rush, you could wait for the right buyer and comfortably get a much better price.

When it comes to other investments, liquidity matters at both a stock level - for the manager buying and selling companies - and at a fund level, allowing investors to deal on a daily basis.

At a stock level, what matters is how often the shares are traded, how many participants there are and what type of investors hold the shares. If there are thousands of trades every day, undertaken by a large number of investors, then there is lots of liquidity. But if there are only a few traders, who only participate a few times a week, there is considerably less liquidity.

Liquidity considerations at a fund level will depend on the asset class they invest in (eg property vs shares), and the size of the fund. Some funds with high conviction (fewer holdings with big positions in each) will have as much as 9-10% of their fund in one stock. If the fund itself is larger, this then adds considerably to liquidity risk.

HOW CAN INVESTORS PROTECT THEMSELVES?

At a fund level, investors can better understand the fund's specific risk by looking at a number of factors. One of these is how big the fund can get – its capacity – and still maintain the same process. As fund researchers, it is one of the first and most important questions we ask of any manager. When considering funds for the VT Chelsea Managed funds, we ask this before and during any investment. If a fund is getting close to capacity we will review its position in the magazine or in our funds. It is also worth looking at the number of holdings in a fund. Generally, the more diverse a fund is, the more liquidity there is. These stats are available on the fund factsheet.

Research doesn't just stop at size and number of holdings though. We get one-to-one access with the managers, and this allows us to ask deeper questions than the numbers available on the factsheet, such as what type of investors are in the fund. Is it a spread of small, retail investors or large multi-managers which can pull tens of millions of pounds in one go? Is it dominated by family wealth money which is traditionally quite sticky, or European institutional money which can be a bit more short termist?

Once we understand the profile of the fund's assets alongside the nature of the holdings, it is easier for us to assess the liquidity risk of the fund. Retail clients may not get this access, but that is why we spend a lot of time researching funds, and help clients find the best funds available, hopefully filtering out those funds taking undue risk. For more on what we ask managers, please see the VT funds article on page 7 and for the Chelsea Risk Thermometer, please see page 3.

THE VT CHELSEA MANAGED FUNDS

For nearly 20 years our clients have relied on our research and fund selection expertise. Our EasyISA portfolios, Core Selection and Selection lists have helped thousands to invest. But we wanted to take our service to the next level.

The Chelsea research team (L to R):
James Yardley, Senior Research Analyst;
Darius McDermott, Managing Director;
Juliet Schooling Latter, Research Director;
Ryan Lightfoot-Brown, Senior Research Analyst

So we've created four fully-managed portfolios. Each contains a mix of investments selected by our expert team. You simply choose which fund is right for you and leave the rest to us:

VT CHELSEA MANAGED **CAUTIOUS GROWTH**

VT CHELSEA MANAGED **BALANCED GROWTH**

VT CHELSEA MANAGED **AGGRESSIVE GROWTH**

VT CHELSEA MANAGED **MONTHLY INCOME**

OUR FOUR-STEP PROCESS

1 EXAMINE THE MACROECONOMIC ENVIRONMENT

We start by looking at the world around us and our place within it. We focus on potential risks, turning points and opportunities that the markets may have overlooked. This view determines our allocations to asset classes and regions.

2 SELECT THE FUNDS

We then select funds using quantitative and qualitative analysis. If we are considering investing, we always meet the manager to ask about their process, their team and how closely their interests are aligned with their investors. A fund will not be added solely on strong past performance, we must be confident there is a repeatable and consistent process in place.

3 BUILD THE PORTFOLIOS

How we combine funds is also very important. We look for those which have the ability to perform independently of one another. This means they shouldn't all go up and down at the same time, which helps to smooth returns and reduce risk.

4 MONITOR & MODIFY

We monitor closely the performance of all underlying funds. In weekly team meetings, we drill down into each portfolio to assess if each holding is still correct. Typically, we expect to back managers for the long term and will avoid unnecessary trading to keep costs low. That said, we constantly see new managers and we will replace funds where we find a better alternative.

HOW TO INVEST

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Visit us at **chelseafs.co.uk**

Send us a completed application form **(see booklet)**

THE VT CHELSEA MANAGED FUNDS: SIX KEY QUESTIONS FOR FUND MANAGERS

"Past performance is not a guide to future performance" – is a statement which is emblazoned on every fund factsheet and manager presentation and with good reason. While quantitative analysis is important, meeting the management team is a crucial element in understanding a fund. The Chelsea VT Managed funds are now over two years old and, in that time, we estimate the team has had around 1,000 fund manager meetings. Here are some of the key questions we ask those fund managers to understand their portfolios.

What is the philosophy and process behind the fund and is it repeatable?

There are thousands of investment funds sold in the UK – it's a competitive market and we want to make sure we select the right vehicle. We typically have an hour or so to meet with managers (particularly on an initial basis) and the crux of that meeting is to understand their investment philosophy, how it has translated to outperformance and, crucially, if it's repeatable.

We want to know how the manager goes about narrowing down their list of stocks. For example, a number of global funds have thousands of companies within their remit, but some managers end up running a portfolio of just 30-40 holdings. Does the portfolio have a benchmark or is it strictly a stock-picking fund? We also want to know how many stocks a fund typically holds, over what timeframe and do they have maximum or minimum positions. Another key factor is what the managers view as buy and sell signals for stocks.

What is the structure of the investment team behind a fund?

We are often given nice presentations which show the role each person within the team holds – but it is only through talking with managers that we get to understand the full picture. We want to know if it is a collegiate approach - where team members all bring their own ideas to the table - or whether the decision making is made almost solely by the named manager/managers. Wider business questions are also raised, such as how managers are paid and is that remuneration tied heavily to the performance of the fund and/or wider fund management business.

Another factor we consider is the manager's workload. Is this the only fund they manage or one of many? Do they have other responsibilities within the business? We want to know how much time they actually spend at the wheel of each fund.

Is there a consistency between the process and the underlying holdings?

This is very important as it proves whether a fund is doing what it says on the tin. This can take many guises such as limiting exposure to stocks and sectors, adherence to ESG protocols or selling an underlying holding if it reaches a certain threshold. Failure to demonstrate that consistency is a red flag to us about their investment process and a lack of trust in that process – which would make it impossible to invest in.

When does the fund outperform and underperform?

You'll often see fund managers marketing three- and five-year performance figures, but for us it is more about understanding the factors behind that performance. Most managers perform better in some markets than others. For example, growth stocks are currently outperforming value stocks to a significant degree, meaning value-orientated fund managers are having a difficult time at present. We understand that, but if value does come back into fashion, we would expect a bounce back in that performance, failure to do so would raise concerns for us.

Tell us about the failures as well as the successes?

If it's not always rosy in the garden, we want to hear about it. If a holding or an allocation in a portfolio underperforms, we want to know the rationale behind it, as that helps us to understand how it was introduced to the portfolio in the first place. We can then make a judgment on that decision and whether it supports the wider process.

How liquid is a fund?

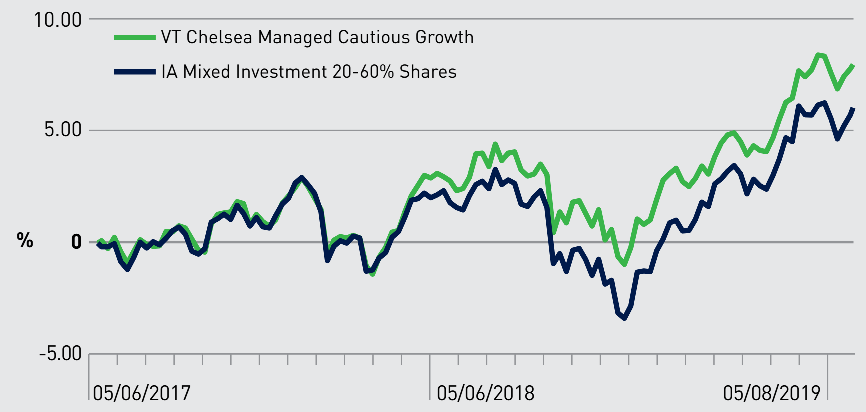
Recent events have brought liquidity into the spotlight, but we have always wanted to know how freely a manager can trade stocks in their portfolio. Liquidity issues can take a number of guises - but specifically in terms of the nature of the underlying holdings (how easy they are to trade on a daily basis) and also the capacity of a fund. For example, a UK small-cap fund with lots of assets can easily end up having considerable ownership of a number of smaller companies, which may not be so easy to trade if a market correction takes place. We take a closer look at liquidity on page 5.

VT CHELSEA MANAGED **CAUTIOUS GROWTH**

our most defensive portfolio

In the most cautious fund, we aim to produce growth over the long term, but with lower volatility than global equity markets†. While returns may not be as high as you could potentially get in the other VT Chelsea Managed Funds, the risk taken should be lower.

PERFORMANCE SINCE LAUNCH



Source: FE Analytics 05/06/2017 – 02/09/2019, total returns in sterling

KEY FACTS

Ongoing charges figure:
1.31%

Payment dates:
30 June,
31 December

Indicated yield:
1.72%

Performance since launch:
7.96%

Sector average:
6.04%

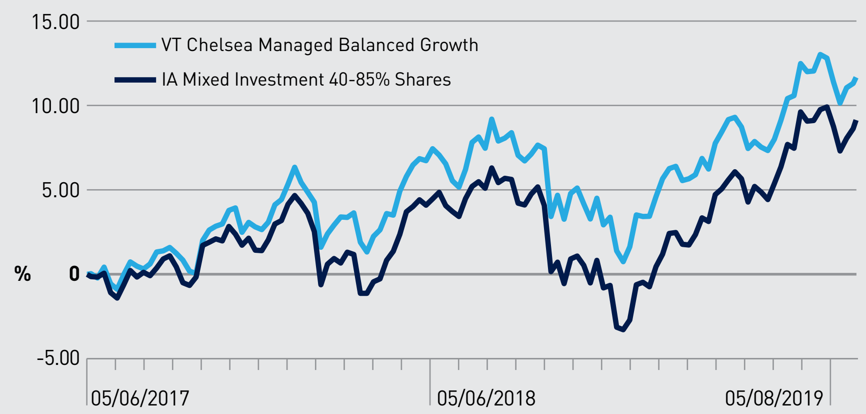
Chelsea Risk Rating:
4

VT CHELSEA MANAGED **BALANCED GROWTH**

our 'happy medium' portfolio

In the balanced fund, we aim to grow your money over the long term. At the same time, we don't want you to lose sleep if the stock market tumbles, so we'll strive to build a portfolio with lower volatility than global equities†.

PERFORMANCE SINCE LAUNCH



Source: FE Analytics 05/06/2017 – 02/09/2019, total returns in sterling

KEY FACTS

Ongoing charges figure:
1.13%

Indicated yield:
N/A

Performance since launch:
11.68%

Sector average:
9.14%

Chelsea Risk Rating:
5.5

WHAT ARE THE RISKS?

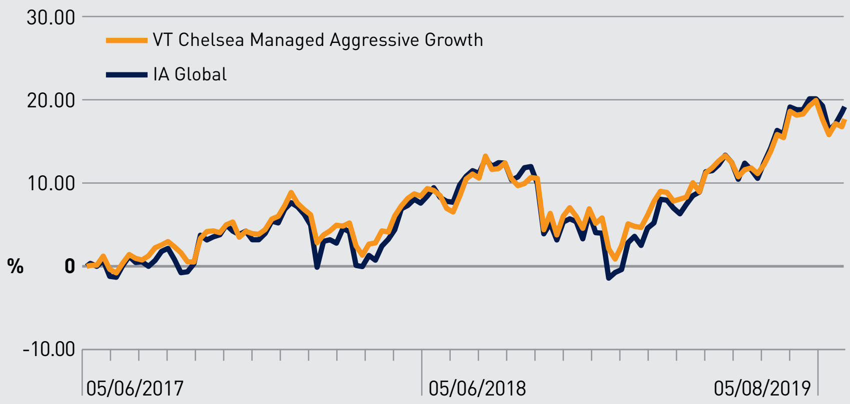
It is important to understand that investments can go down as well as up in value. You may not get back the amount originally invested and income payments are not guaranteed.

VT CHELSEA MANAGED **AGGRESSIVE GROWTH**

our purest growth play

Quite simply, the aggressive fund aims to grow your money over the long term using our purest growth ideas†. We will invest heavily in stock markets around the world, which means the fund may be more volatile than the other VT Chelsea Managed Funds.

PERFORMANCE SINCE LAUNCH



Source: FE Analytics 05/06/2017 – 02/09/2019, total returns in sterling

KEY FACTS

Ongoing charges figure:
1.11%

Indicated yield:
N/A

Performance since launch:
17.69%

Sector average:
19.16%

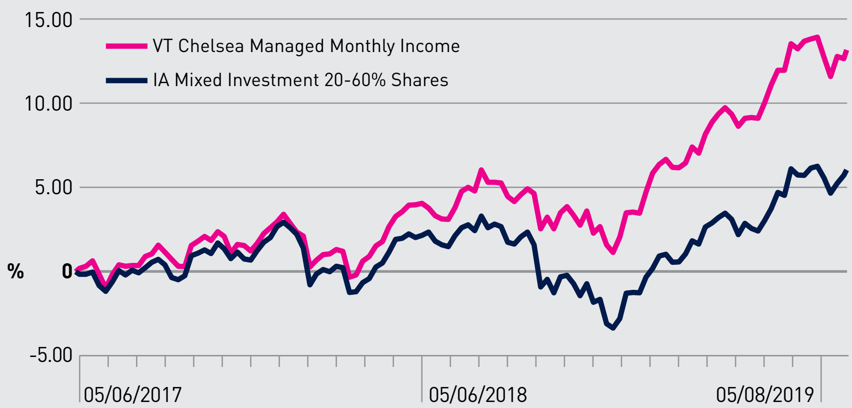
Chelsea Risk Rating:
7

VT CHELSEA MANAGED **MONTHLY INCOME**

our fund for yield

The monthly income fund aims to pay roughly the same amount of income each month* so that you can budget with confidence. The fund targets an above-market income that is sustainable and consistent, as well as some capital growth, over the long term†.

PERFORMANCE SINCE LAUNCH



Source: FE Analytics 05/06/2017 – 02/09/2019, total returns in sterling

KEY FACTS

Ongoing charges figure:
1.03%

Payment dates:
Monthly

Indicated yield:
4.84%

Performance since launch:
13.15%

Sector average:
6.04%

Chelsea Risk Rating:
4.5

For a full list of holdings, plus quarterly factsheets, visit www.chelseafs.co.uk/products/vt-chelsea-managed-funds

Commentary correct as at 02/09/2019. Indicated yields and OCFs correct as at 02/09/2019. †Long term is 5+ years. The aim is to have lower volatility than global equities over a rolling 5-year period. *Income will be smoothed to pay a roughly level amount over 11 months, with a final adjustment payment in the 12th month, which may be more or less than the regular payment.

CHELSEA CORE SELECTION

Core funds from the Chelsea Selection – individually researched and analysed.

UK EQUITIES

JOHCM UK Dynamic

Alex Savvides, who has been running the fund since launch, is one of the most exciting up-and-coming UK fund managers. The process, which he built himself, aims to exploit periods of share price underperformance, where the reasons for the underperformance are well understood and he believes there is a catalyst for change. Ideas come from three sources, which are corporate restructuring, hidden growth and recovery situations. Once his view is accepted by the market and becomes consensus, he will often sell. Also all companies need to have a yield or prospective yield, which does provide an element of safety. The fund will have at least 50% in the FTSE 100 and stocks are typically held for two years.

Chelsea Risk Rating	6
Annual Management Charge	0.63%^#
Ongoing Charges Figure (OCF)	0.67%†
FundCalibre rating	ELITE
Morningstar rating	SILVER
Yield	3.41%
Unit Type	ACC or INC

Liontrust Special Situations

This UK multi-cap fund is a 'best ideas' portfolio, which encompasses any stock regardless of size or sector. However, there will usually be around 50% in small and mid-cap stocks. The managers look for firms with 'intellectual capital' or strong distribution networks, recurring revenue streams and products with no obvious substitutes. They also like to invest in companies where management teams have a significant personal equity stake. The fund is concentrated with 40-50 stocks.

Chelsea Risk Rating	6
Annual Management Charge	0.75%#
Ongoing Charges Figure (OCF)	0.87%†
FundCalibre rating	ELITE
Morningstar rating	BRONZE
Yield	1.86%
Unit Type	ACC or INC

LF Gresham House UK Micro Cap

Previously known as LF Livingbridge UK Micro Cap, this fund had a change of name when Gresham House bought Livingbridge in December 2018. Manager Ken Wotton levers the extensive resource of the private equity background of his team – who also run the Baronsmead VCT range - to focus on four areas: technology, consumer goods, healthcare and business services for differentiated companies with unique businesses. The team often know these companies from their nascent stages and will actively engage with management to help the business deliver on its plans. Stocks are ranked on a conviction score to formalise the buying, sizing and selling of their 40-50 holding portfolio.

Chelsea Risk Rating	8
Annual Management Charge	0.90%#
Ongoing Charges Figure (OCF)	0.98%†
FundCalibre rating	ELITE
Morningstar rating	-
Yield	0.81%
Unit Type	ACC or INC

LF Lindsell Train UK Equity

Nick Train is one of UK's best-known fund managers. He is famous for his 'buy and hold' philosophy and long term approach. The fund is uncompromising and only invests in the highest quality companies. Nick's portfolio is typically very concentrated with over 70% of the fund's value in its top 10 holdings and it is therefore very different to its benchmark. For this reason, investors should expect performance to be different to the index.

Chelsea Risk Rating	6.5
Annual Management Charge	0.60%#
Ongoing Charges Figure (OCF)	0.65%†
FundCalibre rating	ELITE
Morningstar rating	GOLD
Yield	1.71%
Unit Type	ACC or INC

Marlborough UK Micro-Cap Growth

Run by Giles Hargreave and Guy Feld, who are supported by one of the best small-cap teams in the country, the fund invests at the bottom end of the market capitalisation spectrum primarily into companies valued at below £250m. The managers have a growth bias and look for companies that will benefit from changing consumer trends, and are leaders in niche markets or possess disruptive technology. The fund is extremely diversified at the stock level (around 220 stocks) and also across investment themes and sectors. The managers will aggressively run winners and add to them if appropriate. Typically the fund has around 15-20% overlap with Marlborough Special Situations, which invests further up the capitalisation scale.

Chelsea Risk Rating	8
Annual Management Charge	0.75%#
Ongoing Charges Figure (OCF)	0.78%†
FundCalibre rating	ELITE
Morningstar rating	-
Yield	N/A
Unit Type	ACC

Marlborough UK Multi-Cap Growth

This fund takes an unconstrained approach and can invest in businesses of all sizes, although Richard Hallett, manager since 2005, won't invest in any stock worth less than £100m. The portfolio typically holds between 40–50 stocks, with a one-in, one-out limit and each stock taking a maximum of 4% of the portfolio. Richard doesn't make big macroeconomic calls, but looks at individual firms and their prospects for the next two to five years. He buys firms that can grow regardless of the economy and avoids cyclical businesses.

Chelsea Risk Rating	7
Annual Management Charge	0.75%#
Ongoing Charges Figure (OCF)	0.80%†
FundCalibre rating	ELITE
Morningstar rating	-
Yield	0.75%
Unit Type	ACC or INC

Schroder Recovery

Nick Kirrage and Kevin Murphy buy unloved stocks that trade on low valuations. They use a company's average earnings over the previous 10 years, which smoothes out the effects of the business cycle. Suitable stocks are analysed to assess whether the loss of earnings is temporary or permanent, and whether the balance sheet is strong enough to survive the transitional period. They don't meet with companies, as they want to assess their financial capability rather than the stories of a management team.

Chelsea Risk Rating	7.5
Annual Management Charge	0.75%#
Ongoing Charges Figure (OCF)	0.91%†
FundCalibre rating	ELITE
Morningstar rating	SILVER
Yield	3.78%
Unit Type	ACC or INC

N.B. Chelsea Risk Ratings are based on qualitative and quantitative research, not asset allocation. Please see page 3 for more information.
For performance statistics please refer to pages 10-15.
Data sourced from FE Analytics 02/09/2019. Yields per annum as at 02/09/2019. Charges and MorningStar ratings as at 03/09/2019.

* A performance fee may be applied, see the KIID for further details.

*** Please call our dealing line on 020 7384 7300, the cheaper Montanaro seed share class is currently only available via telephone dealing. Normal T&Cs apply.

† OCF: The cost includes the annual management charge and other fees such as registration, regulatory, audit and legal fees but does not include transaction costs and performance fees.

\# The annual management charge is paid to a fund management company for managing the fund. It is calculated as a percentage of the value of the fund. The annual management charge is less than the Ongoing Charges Figure (OCF). **^Includes Chelsea discount.**

EQUITY INCOME

ASI UK Income Unconstrained Equity

Manager Thomas Moore looks for non-consensus ideas across the market-cap spectrum. He wants companies with dividend growth that can be sustained for the long term, evidenced by earnings growth accelerating faster than dividend payouts. While the unconstrained mandate allows Tom to move around the capitalisation scale, and he is happy to shun some equity income stalwarts in the FTSE 100, the portfolio maintains around 40% in large-caps. As this style may otherwise cause higher volatility than the sector average, this large-cap weighting helps to manage risk. He also follows a strict sell discipline and cuts positions quickly if the fundamentals deteriorate. Income is paid in March and July.

Chelsea Risk Rating	6
Annual Management Charge	1.00%#
Ongoing Charges Figure (OCF)	1.15%†
FundCalibre rating	ELITE
Morningstar rating	BRONZE
Yield	5.04%
Unit Type	ACC or INC

Fidelity Global Dividend NEW ENTRY

This is a solid core global income fund, which aims to pay a regular and growing dividend, whilst preserving capital. Manager Dan Roberts invests in predictable resilient businesses, which can continue to generate strong cash flows, even when times get tough. Dan mostly invests in larger companies although his overall portfolio looks very different from the benchmark, and he may avoid some countries or sectors altogether. The fund typically outperforms a falling market but can struggle when markets rise strongly. Income is paid in February, May, August and November.

Chelsea Risk Rating	6
Annual Management Charge	0.75%#
Ongoing Charges Figure (OCF)	0.92%†
FundCalibre rating	ELITE
Morningstar rating	BRONZE
Yield	2.73%
Unit Type	ACC or INC

M&G Global Dividend

The notion that the discipline of paying dividends leads to greater corporate responsibility, which in turn leads to share price outperformance, is the investment philosophy behind this fund. Manager Stuart Rhodes' main aim is to grow distributions over the long term, whilst maximising total return by investing across a wide range of geographies, sectors and market capitalisations. The process is bottom-up and value driven. The fund has around 50 stocks, typically held for three years, and Stuart predominantly invests in developed markets. Income is paid in March, June, September and December.

Chelsea Risk Rating	7
Annual Management Charge	0.86%#
Ongoing Charges Figure (OCF)	0.86%†
FundCalibre rating	ELITE
Morningstar rating	SILVER
Yield	3.06%
Unit Type	ACC or INC

Man GLG UK Income

Manager Henry Dixon took over this fund at the end of 2013. He has an unconstrained mandate, allowing him to invest across the market-cap spectrum. Henry has a clear and repeatable process, targeting stocks with good cash generation, trading below the replacement cost of their assets i.e. 'value' stocks. Initial stock screens are combined with bespoke in-house models to highlight stocks for further research. Henry also has the flexibility to invest in a company's bonds if he believes they offer better value than its shares. He will have 40-60 holdings and a yield typically above 4%, which pays monthly.

Chelsea Risk Rating	6
Annual Management Charge	0.75%#
Ongoing Charges Figure (OCF)	0.90%†
FundCalibre rating	ELITE
Morningstar rating	BRONZE
Yield	5.38%
Unit Type	ACC or INC

Montanaro UK Income *** NEW ENTRY

Montanaro is a specialist in small and medium-sized companies and this fund is no exception. It is run by industry veteran Charles Montanaro and invests in quality growth businesses, backed by strong management teams. The fund seeks to grow its dividend over time. One of its differentiating features is the fund's refusal to buy stocks listed on AIM (Alternative Investment Market) as the team believes these are too risky. The final portfolio is 40-50 stocks. Early supporters of this fund, including Chelsea clients, have access to the significantly cheaper seed share class. Income is paid in March, May, August and November.

Chelsea Risk Rating	7.5
Annual Management Charge	0.25%†***
Ongoing Charges Figure (OCF)	0.36%#***
FundCalibre rating	ELITE
Morningstar rating	-
Yield	3.60%
Unit Type	ACC or INC

Rathbone Income

Through investing in UK companies with above average yields, Carl Stick aims to deliver rising income, with capital upside over time. Carl's investment process combines top-down macroeconomic considerations with bottom-up stock picking to build a portfolio of 40-50 stocks. Seeking companies with quality earnings at the right price is the core emphasis of Carl's fund. The majority of holdings are spread across all UK company market caps, although Carl will hold overseas equities where greater opportunities exist. Income is paid in January and July.

Chelsea Risk Rating	5
Annual Management Charge	0.75%#^
Ongoing Charges Figure (OCF)	0.78%†
FundCalibre rating	ELITE
Morningstar rating	BRONZE
Yield	4.04%
Unit Type	ACC or INC

TB Evenlode Income

Long-term thinking is key for this fund. Managers Hugh Yarrow and Ben Peters believe the market gets obsessed with short-term factors and overlooks key fundamentals. Their stocks will typically have difficult-to-replicate business models, strong positioning in their markets and low borrowings. They will never invest in highly capital-intensive areas such as mining or oil and gas. As such, the fund often performs well in down markets. While not the highest yielding fund, its compounding approach has allowed a consistent and growing payout level from a very concentrated portfolio.

Chelsea Risk Rating	5
Annual Management Charge	0.90%#
Ongoing Charges Figure (OCF)	0.90%†
FundCalibre rating	ELITE
Morningstar rating	-
Yield	2.90%
Unit Type	ACC or INC

All Core Selection funds are available at 0% initial charge within an ISA and outside an ISA on FundStore

The Chelsea Risk Rating Least risky **1** | | | | | | | | | | **10** Most risky

This is our proprietary rating to aid you in your fund choice. Our research team assesses the overall risk of a fund by analysing a number of factors including: the level of risk involved in the region/sector in which the fund invests; the size of the companies within the fund; the number of stocks held;the risk controls imposed by the manager; the use of derivatives and currency issues.

We then assign a Chelsea Risk Rating to the fund, with 1 as the lowest risk and 10 the highest. See page 3 for further details.

EUROPE

BlackRock European Dynamic

Alister Hibbert runs this fund with an aggressive mentality, being prepared to have big over and underweight positions at both the stock and sector level. The fund itself has a focus on large-cap companies and these tend to have growth, rather than value characteristics. The portfolio make-up can shift dramatically at times, which can lead to periods of volatility. However, during his tenure Alister has used this risk well. He is supported by BlackRock's well-resourced European equity team, which we consider to be one of the best around. The portfolio is reasonably concentrated with typically 50 holdings and turnover can be higher than other funds in the sector.

Chelsea Risk Rating	7
Annual Management Charge	0.75%#
Ongoing Charges Figure (OCF)	0.92%†
FundCalibre rating	ELITE
Morningstar rating	BRONZE
Yield	0.65%
Unit Type	ACC or INC

Marlborough European Multi-Cap NEW ENTRY

David Walton has managed this fund since 2013. He invests across the market-cap spectrum but by far his main emphasis is on small and micro-cap companies, which he believes is the most inefficient part of the market. He wants to invest in companies with first class management, strong growth prospects and a share price which doesn't yet reflect a company's potential. The fund has around 100 holdings and is well diversified across different sectors and countries.

Chelsea Risk Rating	8
Annual Management Charge	0.75%#
Ongoing Charges Figure (OCF)	0.82%†
FundCalibre rating	ELITE
Morningstar rating	-
Yield	1.50%
Unit Type	ACC or INC

LF Miton European Opportunities NEW ENTRY

This fund has been managed by Carlos Moreno and Thomas Brown since its inception in 2015. It is a growth fund which invests across the market-cap spectrum but has a bias to mid-caps. The managers like companies with high profit margins, a strong competitive advantage and accelerating revenue growth. They are not put off by high short-term valuations if the company is good enough. They will also invest in more economically sensitive businesses, as long as the company is a world leader in its niche. The final portfolio is 40-55 holdings with no position exceeding 4%, ensuring the fund is well diversified.

Chelsea Risk Rating	7.5
Annual Management Charge	0.75%#
Ongoing Charges Figure (OCF)	0.94%†
FundCalibre rating	ELITE
Morningstar rating	GOLD
Yield	0.54%
Unit Type	ACC

Threadneedle European Select

Manager David Dudding focuses on buying companies with a competitive advantage, high quality defensible earnings and consistent growth rates. His approach is growth orientated, but other factors, such as brand loyalty or pricing power, are also key. Consequently, he favours certain sectors and may choose not to invest in some sectors altogether. David likes companies with strong market share in emerging markets. The fund is fairly concentrated and typically has around 40 holdings, of which around 80% are in large caps.

Chelsea Risk Rating	7
Annual Management Charge	0.75%#
Ongoing Charges Figure (OCF)	0.83%†
FundCalibre rating	ELITE
Morningstar rating	BRONZE
Yield	1.10%
Unit Type	ACC or INC

US

AXA Framlington American Growth

Manager Steve Kelly runs this fund within a stock-picking framework. He has a strong growth bias, focusing on companies that are able to exhibit genuine, organic growth through the strength of their brand. He also prioritises good management in his investment decisions, as he looks for companies whose management delivers their stated goals. The fund typically holds 65-75 stocks.

Chelsea Risk Rating	7
Annual Management Charge	0.75%#
Ongoing Charges Figure (OCF)	0.82%†
FundCalibre rating	ELITE
Morningstar rating	-
Yield	N/A
Unit Type	ACC

Fidelity Index US NEW ENTRY

This is a low-cost tracker fund which aims to match the performance of the S&P 500 over time. The US market is dominated by some of the largest companies in the world and has historically been a very efficient market, where only the very best active managers have outperformed. A tracker fund such as this is a cost-efficient way to access this market. Fidelity has a strong track record in this space and this fund is particularly cheap.

Chelsea Risk Rating	7
Annual Management Charge	0.06%#
Ongoing Charges Figure (OCF)	0.06%†
FundCalibre rating	-
Morningstar rating	GOLD
Yield	1.47%
Unit Type	ACC

LF Miton US Opportunities

This fund brings together the talents of two managers, Nick Ford and Hugh Grieves, who both have strong track records. Between them, they have run both small & large cap, and value & growth mandates meaning they have a wide experience of asset classes to call upon. They run a concentrated portfolio, investing across the market-cap spectrum, with a small and mid-cap bias, to create a portfolio differentiated from their peers. They take a long-term view when investing, creating a portfolio of around just 35-45 stocks. Because of this, stock selection is imperative. They favour easy to understand, cash-generative businesses which they will trade at prices with considerable upside potential.

Chelsea Risk Rating	7
Annual Management Charge	0.75%#
Ongoing Charges Figure (OCF)	0.97%†
FundCalibre rating	ELITE
Morningstar rating	-
Yield	N/A
Unit Type	ACC

N.B. Chelsea Risk Ratings are based on qualitative and quantitative research, not asset allocation. Please see page 3 for more information.
For performance statistics please refer to pages 10-15.
Data sourced from FE Analytics 02/09/2019. Yields per annum as at 02/09/2019. Charges and MorningStar ratings as at 03/09/2019.

* A performance fee may be applied, see the KIID for further details.

† OCF: The cost includes the annual management charge and other fees such as registration, regulatory, audit and legal fees but does not include transaction costs and performance fees.

The annual management charge is paid to a fund management company for managing the fund. It is calculated as a percentage of the value of the fund. The annual management charge is less than the Ongoing Charges Figure (OCF). **^Includes Chelsea discount.**

ASIA PACIFIC, JAPAN AND EMERGING MARKETS

Invesco Hong Kong & China

This fund aims to invest in quality defensive companies with sustainable earnings and strong management teams. Mike Shiao is based in Hong Kong and has been managing the fund since 2012. He has over 20 years' experience of investing in the region. He favours investing in mid-cap stocks with around 45% of the value of the fund in its top 10 holdings.

Chelsea Risk Rating	10
Annual Management Charge	0.89%#
Ongoing Charges Figure (OCF)	0.89%†
FundCalibre rating	ELITE
Morningstar rating	-
Yield	N/A
Unit Type	ACC

JPM Japan

Tokyo-based manager Nick Weindling runs this domestic Japanese growth fund. When selecting stocks he incorporates a thematic approach, built on his on-the-ground knowledge and understanding of Japanese culture. Nick avoids the traditional 'old Japan' stocks, looking more for stocks that have improved corporate governance. He takes a long-term focus when highlighting opportunities, and ensures he meets company management in order to understand their business properly, aided by being fluent in Japanese. The portfolio will be checked to ensure it is aligned with the manager's macroeconomic views.

Chelsea Risk Rating	10
Annual Management Charge	0.75%#
Ongoing Charges Figure (OCF)	0.81%†
FundCalibre rating	-
Morningstar rating	BRONZE
Yield	0.37%
Unit Type	ACC or INC

Man GLG Japan CoreAlpha

This fund takes a contrarian look at the Japanese stock market with a strong focus on value investing. The team use a valuation model, which compares a stock's share price with the net assets on its balance sheet. This method has historically been a reliable measure of returns. The stocks they target are typically the large-cap, 'core' Japanese companies, the well known names that export their goods around the world. From this, they create a high-conviction portfolio of around 50 holdings, which may differ greatly from the benchmark.

Chelsea Risk Rating	10
Annual Management Charge	0.75%#
Ongoing Charges Figure (OCF)	0.90%†
FundCalibre rating	ELITE
Morningstar rating	GOLD
Yield	3.06%
Unit Type	ACC or INC

Matthews Asia Pacific Tiger

Matthews is an American investment house which focuses exclusively on Asia. They are deliberately based in San Francisco to remove themselves from short-term market noise. However, they make regular visits to the region and undertake around 2,000 company meetings a year. Between them, the team speak 13 languages and many of them grew up in the region. The fund aims to invest in the very best Asian businesses for the long term. It is almost entirely bottom-up and typically has a bias to domestic consumer orientated businesses. Lead manager, Sharrat Schroff, has managed the fund since 2010. The portfolio has around 60 to 70 holdings and is very different to the benchmark.

Chelsea Risk Rating	8
Annual Management Charge	0.75%#
Ongoing Charges Figure (OCF)	1.09%†
FundCalibre rating	ELITE
Morningstar rating	SILVER
Yield	N/A
Unit Type	ACC

RWC Global Emerging Markets

This fund, managed by John Malloy, invests in growth companies that are trading at reasonable valuations. It combines macroeconomic and political views with fundamental stock research. Countries are given a score on their relative attractiveness. Stock ideas are driven by long-term themes and trends. These views are then combined to produce an optimal portfolio. This is a multi-cap fund which invests across the market cap spectrum. A unique feature is that it can invest up to 20% in frontier markets. The fund is concentrated and usually holds around 50 stocks.

Chelsea Risk Rating	10
Annual Management Charge	0.90%#
Ongoing Charges Figure (OCF)	1.30%†
FundCalibre rating	-
Morningstar rating	-
Yield	N/A
Unit Type	ACC

Schroder Asian Alpha Plus

This Asian fund is actively managed from the bottom up, with manager Matthew Dobbs often looking for catalysts in order to provide upside in the stocks he owns. Matthew is focused on valuations but also looks for companies that can exhibit organic growth. This concentrated portfolio will typically consist of 60-80 of the best ideas in the region and a 'one in one out' policy is followed. The fund is relatively unconstrained, but risk-aware, and can invest across the market-cap spectrum.

Chelsea Risk Rating	8
Annual Management Charge	0.75%#
Ongoing Charges Figure (OCF)	0.95%†
FundCalibre rating	ELITE
Morningstar rating	SILVER
Yield	1.31%
Unit Type	ACC or INC

Stewart Investors Asia Pacific Leaders

The fund is managed by David Gait and Sashi Reddy. The fund maintains its strong focus on capital preservation by considering corporate governance and social responsibility in order to maintain a sense of stewardship over investors' money. The portfolio is concentrated at 40-60 stocks, with the top 10 making up around 40% of the whole portfolio. David makes meeting company management an integral part of company analysis, and the stocks will typically be large cap, with firms under around $1bn removed from the stock selection process.

Chelsea Risk Rating	7.5
Annual Management Charge	0.85%#
Ongoing Charges Figure (OCF)	0.88%†
FundCalibre rating	ELITE
Morningstar rating	SILVER
Yield	1.03%
Unit Type	ACC or INC

All Core Selection funds are available at 0% initial charge within an ISA and outside an ISA on FundStore

The Chelsea Risk Rating Least risky **1** | | | | | | | | | | **10** Most risky

This is our proprietary rating to aid you in your fund choice. Our research team assesses the overall risk of a fund by analysing a number of factors including: the level of risk involved in the region/sector in which the fund invests; the size of the companies within the fund; the number of stocks held;the risk controls imposed by the manager; the use of derivatives and currency issues.

We then assign a Chelsea Risk Rating to the fund, with 1 as the lowest risk and 10 the highest. **See page 3 for further details.**

GLOBAL

Fidelity Global Special Situations SPOTLIGHT

Jeremy Podger took over the management of this fund in 2012. Jeremy is a pragmatic bottom up stock picker who does not stick too rigidly to one particular investment style. His investments fall into one of three buckets. Corporate change – shorter term investments which take advantage of corporate restructuring or initial public offerings (new stocks coming to the market). Exceptional value – cheap stocks which have a potential to grow earnings. Unique businesses – companies with a dominant position within their industries which should be able to grow for many years to come. The resulting portfolio is a well diversified mix of around 70 to 130 different stocks.

Chelsea Risk Rating	7
Annual Management Charge	0.75%#
Ongoing Charges Figure (OCF)	0.92%†
FundCalibre rating	ELITE
Morningstar rating	SILVER
Yield	N/A
Unit Type	ACC

Fundsmith Equity

Manager Terry Smith is one of the most outspoken and high profile personalities in the City. Terry has consistently proven himself over a long and glittering career, continuing to do so with the founding of Fundsmith in 2010. The fund invests in high quality well-established mega-cap companies. Terry buys businesses which have high returns on equity and are resilient to technological change. The fund typically has a big overweight to consumer staples and it will often avoid some sectors entirely. Valuation discipline is a key part of the process. The concentrated portfolio will typically hold just 20 to 30 stocks.

Chelsea Risk Rating	6
Annual Management Charge	0.90%#
Ongoing Charges Figure (OCF)	0.95%†
FundCalibre rating	ELITE
Morningstar rating	GOLD
Yield	0.64%
Unit Type	ACC or INC

Rathbone Global Opportunities

Manager James Thomson has a mandate to invest across the globe, though in practice only focuses on the more developed world markets to create a concentrated portfolio of 40-60 stocks. These companies are typically out-of-favour and under the radar growth companies, but at attractive valuations. James is a pure stock picker and has a flexible asset allocation mandate to go with it. He likes differentiated companies that are easy to understand, with a repeatable strategy whose sectors have barriers to entry. There is also a defensive bucket of stocks less dependent on the economic environment to manage risk and protect the fund in falling markets.

Chelsea Risk Rating	6.5
Annual Management Charge	0.65%#
Ongoing Charges Figure (OCF)	0.69%†
FundCalibre rating	ELITE
Morningstar rating	SILVER
Yield	N/A
Unit Type	ACC

T. Rowe Price Global Focused Growth Equity

Lead manager David Eiswert is supported by T Rowe Price's large global analyst network. David combines his macroeconomic view with his analysts' best ideas to build a portfolio of around 80 growth stocks. He targets businesses with accelerating returns on capital over the next 12 to 24 months. The fund currently has almost a third invested in technology and unlike some global funds it does invest in emerging markets.

Chelsea Risk Rating	7.5
Annual Management Charge	0.50%#
Ongoing Charges Figure (OCF)	0.69%†
FundCalibre rating	ELITE
Morningstar rating	-
Yield	N/A
Unit Type	ACC

FIXED INTEREST

Baillie Gifford Strategic Bond

Baillie Gifford have a long-standing reputation when it comes to fixed income, and this fund, run by Torcail Stewart and Lesley Dunn, is a collection of their best ideas. They have the ability to invest globally, gathering a portfolio of investment grade and sub-investment grade corporate bonds. Their foreign currency holdings will all be hedged to sterling to remove currency risk. They use bottom-up analysis in their stock-selection driven process, which is about assessing each bond on its own merits. Torcail and Lesley don't waste much time considering macroeconomic factors or future interest rate movements. They aim to create a portfolio that is diversified in nature but concentrated in number, standing at 60-80 holdings.

Chelsea Risk Rating ^^	3.5
Annual Management Charge	0.50%#
Ongoing Charges Figure (OCF)	0.52%†
FundCalibre rating	ELITE
Morningstar rating	-
Yield	3.76%
Unit Type	ACC or INC

BlackRock Corporate Bond

Manager Ben Edwards has flexibility in the way he is able to run the portfolio, which predominantly holds investment grade bonds. He has the full array of resources at BlackRock, including support from sector specialist analysts, quantitative risk tools and access to a 24 hour trading platform. He uses these tools to find special situations in the bond market. This comes from two sources; top-down analysis where they look at global or sector-specific issues, which flushes out ideas; and bottom-up stock selection, which looks at individual securities that have been unfairly treated and are mispriced. The fund can also invest in a limited amount of high yield and unrated bonds where the risk-reward is exceptionally good, leading to a portfolio of around 150 holdings.

Chelsea Risk Rating	2.5
Annual Management Charge	0.50%#
Ongoing Charges Figure (OCF)	0.57%†
FundCalibre rating	ELITE
Morningstar rating	SILVER
Yield	2.56%
Unit Type	ACC or INC

Invesco Monthly Income Plus

This strategic bond fund gives the managers considerable freedom to invest across the credit spectrum, but their emphasis on providing a high income and security of capital mean the fund will often have a bias towards higher quality high-yield bonds, although security selection is driven by bottom-up analysis. The fund can invest up to 20% of its assets in equities. The equity portion is managed by Ciaran Mallon, who also manages Invesco's Income and Growth fund. Invesco are well known for the strength of their fixed-income resource and this is their flagship offering. Income is paid monthly.

Chelsea Risk Rating	3.5
Annual Management Charge	0.67%#
Ongoing Charges Figure (OCF)	0.68%†
FundCalibre rating	ELITE
Morningstar rating	Silver
Yield	5.23%
Unit Type	ACC or INC

N.B. Chelsea Risk Ratings are based on qualitative and quantitative research, not asset allocation. Please see page 3 for more information.
For performance statistics please refer to pages 10-15.
Data sourced from FE Analytics 02/09/2019. Yields per annum as at 02/09/2019. Charges and MorningStar ratings as at 03/09/2019.

* A performance fee may be applied, see the KIID for further details.

† OCF: The cost includes the annual management charge and other fees such as registration, regulatory, audit and legal fees but does not include transaction costs and performance fees.

The annual management charge is paid to a fund management company for managing the fund. It is calculated as a percentage of the value of the fund. The annual management charge is less than the Ongoing Charges Figure (OCF). **^Includes Chelsea discount.**

^^ Please note that the Chelsea Risk Rating for this fund has increased since the last Viewpoint magazine.

FIXED INTEREST (cont)

Janus Henderson Strategic Bond SPOTLIGHT

Managed by long-standing managers, Jenna Barnard and John Pattullo, this fund is one of the more aggressively managed strategic bond funds. The managers can invest across the fixed income spectrum, but can also invest in synthetic fixed income securities (i.e. preference shares) and equities. In addition, the managers have the freedom to vary the source of their returns between income or capital growth. This means the fund can take short positions to enhance returns or protect capital. Income is paid in March, June, September and December.

Chelsea Risk Rating	3
Annual Management Charge	0.60%#
Ongoing Charges Figure (OCF)	0.69%†
FundCalibre rating	-
Morningstar rating	SILVER
Yield	2.80%
Unit Type	ACC or INC

Jupiter Strategic Bond

The manager, Ariel Bezalel, seeks out the best opportunities within the fixed interest universe globally. This is a genuine strategic bond fund. Ariel will substantially alter the positioning of the portfolio depending on his macroeconomic views. He combines this with bottom-up fundamental analysis. Companies with robust business models and recurring revenue streams are preferred. Derivatives can be used to manage risk and also to profit from falling bond prices. Income is paid in January, April, July and October.

Chelsea Risk Rating	2.5
Annual Management Charge	0.50%#
Ongoing Charges Figure (OCF)	0.74%†
FundCalibre rating	ELITE
Morningstar rating	SILVER
Yield	3.20%
Unit Type	ACC or INC

TwentyFour Dynamic Bond

TwentyFour was founded in 2008 by a group of leading bond managers and it specialises entirely in fixed income. This fund is their flagship product. There is no lead manager and asset allocation is decided by a ten-strong investment committee on a monthly basis. Portfolio managers are then responsible for managing their own parts of the portfolio. This is a flexible, high conviction fund managed by a very experienced and well-resourced team. A significant portion of the fund is invested in asset backed securities (around 20%).This makes the fund quite different from some other strategic bond funds which lack the expertise to invest in this area of the market.

Chelsea Risk Rating	3.5
Annual Management Charge	0.75%#
Ongoing Charges Figure (OCF)	0.77%†
FundCalibre rating	ELITE
Morningstar rating	-
Yield	3.62%
Unit Type	ACC or INC

TARGETED ABSOLUTE RETURN

BlackRock UK Absolute Alpha

This is a long-short UK equity fund that seeks to generate a positive return over a rolling 12-month period in all market conditions. Nigel Ridge is the lead manager. The fund is high conviction but maintains a conservative net exposure to the wider stock market. Nigel aims to add value through fundamental stock analysis. He will buy individual shares that are cheap but will also short-sell stocks he views as overvalued. He then combines these positions with a more conservative pair trading strategy, whereby he will buy one stock in a sector and simultaneously short-sell another in the same sector to hedge out market risk.

Chelsea Risk Rating	4.5
Annual Management Charge	0.75%#*
Ongoing Charges Figure (OCF)	0.92%†*
FundCalibre rating	ELITE
Morningstar rating	BRONZE
Yield	N/A
Unit Type	ACC

Merian Global Equity Absolute Return Hedged

The fund is designed to offer a return of cash +6% on a rolling three-year basis, in all market conditions. The fund invests only in equities but is equity-market neutral, which means the fund's long positions will offset the short positions at all times. The process itself is essentially a sophisticated quantitative screen that scans the world's most liquid 3,500 companies for shares that exhibit certain characteristics. Suitable stocks are grouped into one of five buckets. As one bucket starts to outperform, the managers will tilt the portfolio towards that bucket. What sets this fund apart from other equity long/short funds is the very deliberate and methodical way that the managers have designed the process to minimise style risk.

Chelsea Risk Rating	5
Annual Management Charge	0.75%#*
Ongoing Charges Figure (OCF)	0.86%†
FundCalibre rating	ELITE
Morningstar rating	-
Yield	N/A
Unit Type	ACC

SVS Church House Tenax Absolute Return Strategies

Managers James Mahon, who is also CEO, and Jerry Wharton run this diversified multi-asset fund, which invests directly in a mixture of fixed interest, equities, alternatives and cash, totalling around 100 holdings. Their aim is to create a highly diversified portfolio of uncorrelated assets to deliver an absolute return, designed to protect from market falls. This is because, unlike most absolute return funds, this fund does not short-sell investment securities. The allocation between these assets depends on their macroeconomic view and outlook on key data such as inflation and interest rates, with their primary goal being not to lose clients' money.

Chelsea Risk Rating	4
Annual Management Charge	0.75%#
Ongoing Charges Figure (OCF)	0.84%†
FundCalibre rating	ELITE
Morningstar rating	-
Yield	0.75%
Unit Type	ACC or INC

All Core Selection funds are available at 0% initial charge within an ISA and outside an ISA on FundStore

The Chelsea Risk Rating Least risky 1 | | | | | | | | | | 10 Most risky

This is our proprietary rating to aid you in your fund choice. Our research team assesses the overall risk of a fund by analysing a number of factors including: the level of risk involved in the region/sector in which the fund invests; the size of the companies within the fund; the number of stocks held;the risk controls imposed by the manager; the use of derivatives and currency issues.

We then assign a Chelsea Risk Rating to the fund, with 1 as the lowest risk and 10 the highest. **See page 3 for further details.**

CORE SELECTION SPOTLIGHT

FIDELITY GLOBAL SPECIAL SITUATIONS

Elite Rated by FundCalibre

JEREMY PODGER

Fund Manager, **Fidelity Global Special Situations**

THE CHELSEA VIEW

In these difficult times for investing, Jeremy's three-buckets approach offers investors a fund which should outperform in a variety of market conditions. His macroeconomic understanding, combined with the vast resources of the Fidelity analyst team and his two plus decades of experience, gives him great insight into what makes a good stock, and makes this fund a solid core holding.

I am a bottom-up investor who believes that sensible active management - backed by rigorous fundamental research - can produce sustainable positive returns compared with market averages. The market is often slow to recognise positive dynamics in 'special situation' stocks, especially in cases of major structural change such as mergers and acquisitions (M&A) and IPOs or less-established business with greater earnings growth potential. Limited data and irregular flow of information from companies like these often means investors avoid these companies as they want to wait until the perceived risk of the transition has passed. This is where the team and I can operate slightly differently, and hone in on such 'special' opportunities to find value and growth stocks.

THE POWER OF THREE GIVES US AN EDGE

In managing the Fidelity Global Special Situations fund, I have designed a portfolio structure that has three differentiated and complementary sources of active return on investment (alpha).

Corporate change

Firms in this category offer the potential for a fundamental shift in value, with the catalyst linked to near-term restructuring or M&A. For example, aircraft manufacturer Airbus, a great transformation story from its quasi state-run days and a beneficiary of duopolistic market position, robust order backlog, improving revenue growth, revitalised management and continuous restructuring initiatives.

Exceptional value

Firms exhibiting exceptional value are those with the ability to deliver earnings growth in excess of market expectations likely to lead to a re-rating. The US investment bank and financial services company JPMorgan Chase, with a robust business mix and industry-leading positions that continue to drive growth, profitability and shareholder returns, is a key holding in the category.

Unique businesses

These are companies with a dominant industry position, strong growth, cash flow and pricing power. The fund has exposure to Danish utility Orsted. The offshore wind farm developer has a leading industry position in a fast-growing market, an excellent delivery track record, a well-regarded management team and is a beneficiary of new project wins, sales agreements in Europe, new partnerships and acquisitions in the US. The company is expected to benefit from a fall in offshore costs and the consequent increase in market size.

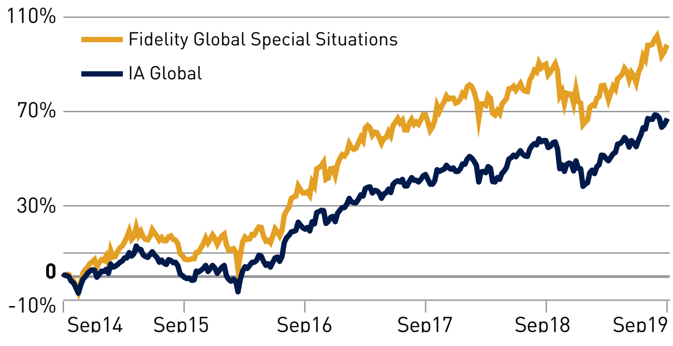
In managing this unconstrained global equity strategy, one of our key advantages remains the dedicated analyst resource within Fidelity who monitor and have developed good relationships with special situations desks across the industry, allowing us to form views in a time-sensitive manner.

At a time when most of the market place is focused on macroeconomic and geopolitical risk, they allow us to identify true corporate transformation that can bring exceptional performance almost regardless of market conditions, as evidenced by the consistent long-term track record.

WE DON'T HAVE A CRYSTAL BALL...

... but as I look at the world today, I remain cautiously optimistic about the prospect for equities around the world. Investor enthusiasm and market leadership is more focused on growth companies, so we concentrate our efforts on balancing exposure to both value and growth with a value bias compared with the wider market. This way, portfolio risk will be determined more by stock-specific factors. This flexible approach has worked well in the past five years and we believe it can continue to deliver for our investors over the next five years and beyond.

FUND PERFORMANCE OVER 5 YEARS



Source: FE Analytics, 02 September 2014 to 02 September 2019, total returns, net of fees, in sterling.

CORE SELECTION SPOTLIGHT

JANUS HENDERSON STRATEGIC BOND

JOHN PATTULLO

Co-manager, **Janus Henderson Strategic Bond**

THE CHELSEA VIEW

John and his co-manager Jenna Barnard have an excellent long-term track record. We like their flexibility with this fund, using the strategic title to its full effect. They don't set up the fund for how the world should behave in theory, but how it could behave in practice and that genuinely differentiates it from its peers.

Imagine being surrounded by experts, many of whom are consistently wrong. No, this is not a comment on Brexit but a sad reflection of the state of economic thinking towards bond markets. Economists have consistently overestimated where US government bond yields will be. Schooled in the final decades of the 20th century, they are conditioned to believe that inflation is set to make a comeback and bond yields will rise. Only twice in 27 years did they forecast a fall.

A SELECTIVE APPROACH

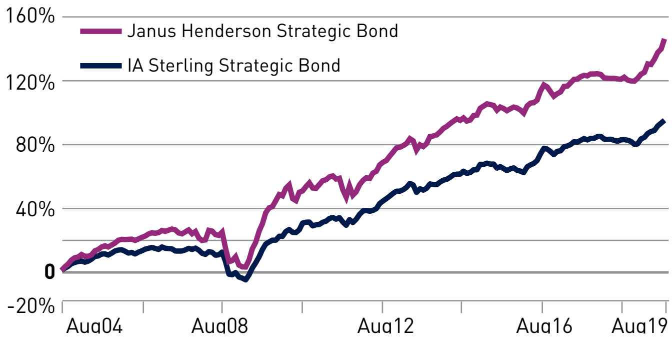
Both Jenna Barnard, co-manager of the Janus Henderson Strategic Bond fund, and I have the traditional academic background of university, professional accreditations and a combined 44 years of financial industry experience. But what we have discovered over years of investing is that we have had to discard a lot of the textbook economics and better understand the world as we see it, not as we were taught it was supposed to behave.

We do not pretend to have a crystal ball but we can see what is happening around us. That is why we have written since 2013 about how the West is facing the same structural, debt-induced problems that Japan has faced for 30 years and why changes in consumer and corporate behaviour post the global financial crisis mean interest rates and inflation are likely to remain low and move lower.

We have become a lot more cynical, simply because in an age of disruption (think how the internet is transforming industries and hollowing out others), unconventional central bank policy (ultralow or negative interest rates) and incendiary politics affecting markets, you need to be asking a lot more questions and be a lot more selective. Will a bond issuer be around in coming years to pay distributions to bondholders? Are the finances of the issuing company improving or deteriorating? Is the management more concerned about rewarding shareholders by building up debt in a company at the expense of bondholders?

This means when bond issuers come to us hoping we will lend your money in the fund to them, one of our favourite responses is "No". Unless we are convinced that the bond is a useful addition to the portfolio, it will not be held.

FUND PERFORMANCE OVER 15 YEARS



Source: FE Analytics, 31 August 2004 to 31 August 2019, total returns, net of fees, in sterling.

SENSIBLE INCOME

As part of seeking to deliver a reasonable return to investors, a key element in our strategy is identifying bond issuers that offer what we term 'sensible income' that can contribute to accumulated income and potential capital gain. This means investing primarily in corporate bonds from large established firms with a reason to exist and which offer solid yields.

We do not invest in emerging markets and mostly hold investment grade bonds issued by companies and developed market governments. When we hold potentially riskier sub-investment grade bonds we look for companies with relatively reliable revenues.

DRIVING THEMES

Through disciplined analysis of individual securities we seek to create a diversified portfolio to spread risk. Yet we also position the portfolio for the economic environment we find ourselves in. This means we have been favouring bonds that react positively to declining interest rates, such as holding government bonds with longer maturities from countries where we expect interest rates to be cut, such as Australia. We have not been slow to recognise the technological change and shifting consumption patterns that are destroying old business models, hence we are avoiding stressed sectors such as over-indebted car manufacturers. Divergences in interest rate policies and market mispricing also offer potential opportunities. Ultimately, in managing a strategic bond fund we are keen that it lives up to its name.

THE CHELSEA SELECTION

	Elite Rated	Chelsea Risk Rating	1 YEAR % Growth	1 YEAR Rank	3 YEAR % Growth	3 YEAR Rank	5 YEAR % Growth	5 YEAR Rank	10 YEAR % Growth	10 YEAR Rank	Yield %	Fund Size (m)
UK ALL COMPANIES												
Artemis UK Select		7	-8.70	225	18.91	122	24.43	161	162.60	56	3.76	718.3
AXA Framlington UK Select Opportunities		6	3.07	36	19.26	116	27.72	139	171.23	46	1.74	1596.7
Franklin UK Managers' Focus		7	-2.22	140	19.47	113	44.77	43	210.62	24	-	343.0
Franklin UK Mid Cap		6.5	1.46	61	33.86	17	54.45	20	272.03	7	2.54	1022.5
Investec UK Alpha		6	1.06	76	21.25	77	38.05	58	199.15	30	1.94	2141.2
JOHCM UK Dynamic		6	-3.28	157	25.45	38	37.24	66	177.38	42	3.41	1520.0
Jupiter UK Special Situations		5.5	-2.81	148	17.04	150	33.11	88	168.59	52	3.00	2056.0
LF Lindsell Train UK Equity		6.5	14.26	2	50.18	5	96.72	3	395.50	3	1.71	7389.4
Liontrust Special Situations^		6	2.10	51	31.79	20	66.44	11	339.94	4	1.86	5043.5
Marlborough UK Multi-Cap Growth		7	-7.87	219	30.90	22	68.73	8	269.45	9	0.75	280.2
MI Chelverton UK Equity Growth		7.5	2.30	48	59.06	1	-	-	-	-	1.01	333.0
Schroder Recovery		7.5	-8.70	226	13.59	181	19.58	192	142.92	84	3.78	1043.5
Slater Growth		7	3.39	32	35.95	12	62.63	16	460.10	1	-	552.0
Threadneedle UK Extended Alpha		7	3.20	35	18.28	133	41.31	50	160.67	60	-	149.1
SECTOR AVERAGE			**-2.62**	**259**	**17.79**	**246**	**30.05**	**232**	**133.16**	**201**		
UK EQUITY INCOME												
Artemis Income		5	1.42	11	20.13	4	36.00	13	155.29	13	4.30	5816.3
ASI UK Income Unconstrained Equity		6	-14.73	84	-0.54	79	10.70	73	142.94	21	5.04	1250.3
JOHCM UK Equity Income		6	-10.47	82	14.16	27	21.05	53	146.23	17	4.36	3000.0
LF Gresham House UK Multi-Cap Income		7.5	-1.85	32	-	-	-	-	-	-	4.30	40.1
Man GLG UK Income		6	-2.73	44	29.85	1	46.63	1	156.54	12	5.38	1207.9
Marlborough Multi Cap Income		7	-4.31	52	13.60	32	29.32	26	-	-	5.00	1535.6
Montanaro UK Income***		7.5	-2.61	145 / 259	23.33	60 / 246	51.94	23 / 232	240.92	16 / 201	3.60	410.0
Rathbone Income		5	0.88	14	13.28	35	33.85	17	165.76	8	4.04	1145.5
Royal London UK Equity Income		5.5	0.45	17	16.96	14	37.05	9	202.00	3	4.30	2018.8
TB Evenlode Income***		5	14.87	1 / 259	41.72	7 / 246	85.74	5 / 232	-	-	2.90	3498.0
Threadneedle UK Equity Alpha Income		5.5	-1.90	33	12.88	37	27.08	36	161.63	9	4.30	377.4
SECTOR AVERAGE			**-3.20**	**85**	**11.08**	**79**	**25.28**	**75**	**125.33**	**62**		
UK SMALLER COMPANIES												
AXA Framlington UK Smaller Companies		8	-5.94	12	32.36	16	69.00	13	341.86	10	0.74	219.4
Franklin UK Smaller Companies		8	-9.30	29	27.71	28	47.12	29	184.70	38	1.34	302.3
LF Gresham House UK Micro Cap		8	-6.12	15	43.96	9	69.30	12	336.30	11	0.81	174.4
Liontrust UK Micro Cap		8	-5.11	10	45.88	7	-	-	-	-	-	49.6
Marlborough Special Situations		7.5	-11.48	38	26.05	31	61.27	16	335.46	12	-	1419.2
Marlborough UK Micro-Cap Growth		8	-7.38	20	37.67	14	65.11	14	388.20	5	-	1241.1
R&M UK Equity Smaller Companies		8	-9.13	27	25.26	32	49.97	25	349.71	7	-	413.7
TB Amati UK Smaller Companies^		8	-6.99	19	51.30	5	101.98	3	425.02	2	-	297.8
SECTOR AVERAGE			**-9.09**	**50**	**28.72**	**48**	**49.13**	**47**	**230.51**	**44**		
STERLING CORPORATE BOND												
BlackRock Corporate Bond		2.5	8.13	62	12.57	12	31.17	18	104.77	11	2.56	1131.2
Royal London Corporate Bond		2.5	8.69	53	12.59	11	31.90	14	106.14	9	3.06	1442.8
TwentyFour Corporate Bond*		2.5	7.37	71	11.32	22	-	-	-	-	4.01	806.3
SECTOR AVERAGE			**8.49**	**93**	**9.53**	**85**	**26.29**	**60**	**77.20**	**57**		
STERLING HIGH YIELD BOND												
Baillie Gifford High Yield Bond^		4	6.84	9	17.39	3	24.06	8	128.31	2	4.40	692.3
Royal London Short Duration Global High Yield Bond^*		2.5	3.27	31	7.80	31	16.52	26	-	-	5.00	1776.4
SECTOR AVERAGE			**4.74**	**41**	**13.44**	**33**	**18.95**	**31**	**86.58**	**21**		
STERLING STRATEGIC BOND												
Artemis Strategic Bond		3	5.38	56	13.11	18	24.54	19	93.01	14	2.81	1614.6
Baillie Gifford Strategic Bond^		3.5	9.91	14	16.50	7	31.49	7	133.47	2	3.76	1144.7
GAM Star Credit Opportunities*		4	4.52	66	15.40	9	36.47	3	-	-	4.30	901.3
Invesco Monthly Income Plus		3.5	4.26	70	12.43	22	20.12	36	98.81	10	5.23	2671.5
Janus Henderson Strategic Bond^ SPOTLIGHT		3	10.89	4	13.55	16	25.51	17	89.99	16	2.80	2693.1
Jupiter Strategic Bond		2.5	9.40	17	13.63	15	22.98	21	101.45	8	3.20	4002.0
TwentyFour Dynamic Bond		3.5	5.44	55	14.63	11	22.13	27	-	-	3.62	2122.5
SECTOR AVERAGE			**6.71**	**89**	**10.21**	**82**	**19.94**	**72**	**71.88**	**45**		
TARGETED ABSOLUTE RETURN												
BlackRock UK Absolute Alpha		4.5	3.63	-	5.51	-	17.85	-	24.65	-	-	257.8
Janus Henderson UK Absolute Return		4	-0.36	-	3.37	-	15.46	-	54.81	-	-	1803.6
Jupiter Absolute Return		4.5	-4.16	-	-7.07	-	5.00	-	-	-	-	1342.9
Merian Global Equity Absolute Return Hedged*		5	-10.27	-	-0.68	-	6.83	-	52.70	-	-	5662.3
Smith & Williamson Enterprise*		5	1.40	-	8.91	-	14.99	-	47.46	-	-	115.7
SVS Church House Tenax Absolute Return Strategies		4	1.19	-	5.81	-	16.21	-	52.46	-	0.75	406.0
SECTOR AVERAGE			**1.22**	**-**	**4.75**	**-**	**8.98**	**-**	**28.17**	**-**		
EUROPE EXCLUDING UK												
Barings Europe Select Trust***		8	0.16	3 / 26	36.13	5 / 25	95.43	3 / 19	283.32	4 / 18	1.40	1581.9
BlackRock Continental European Income		7	8.31	5	29.40	55	63.90	23	-	-	4.43	1715.7
BlackRock European Dynamic^		7	3.09	36	42.56	8	84.32	4	260.50	3	0.65	3515.0
FP CRUX European Special Situations		7	-1.39	86	23.06	83	67.05	18	-	-	2.30	1667.7
Legg Mason IF Martin Currie European Unconstrained NEW ENTRY		7.5	15.08	1	37.94	14	51.65	53	136.37	37	-	20.8
LF Miton European Opportunities NEW ENTRY		7.5	6.67	11	68.47	1	-	-	-	-	0.54	699.9
Marlborough European Multi-Cap		8	-3.56	99	32.86	35	96.48	3	171.53	17	1.50	337.2
Schroder European Alpha Income		7.5	-6.94	110	19.43	98	40.92	79	-	-	3.70	867.0
Threadneedle European Select		7	7.11	9	37.51	16	75.22	11	242.16	4	1.10	1690.0
SECTOR AVERAGE			**0.62**	**117**	**28.34**	**108**	**52.71**	**96**	**135.40**	**77**		

Around 100 of our top-rated funds, organised by sector.

Fund	Elite Rated	Chelsea Risk Rating	1 YEAR % Growth	1 YEAR Rank	3 YEAR % Growth	3 YEAR Rank	5 YEAR % Growth	5 YEAR Rank	10 YEAR % Growth	10 YEAR Rank	Yield %	Fund Size (m)
NORTH AMERICA												
Artemis US Extended Alpha		7	13.35	27	65.79	23	-	-	-	-	-	644.1
(C) AXA Framlington American Growth	Elite	7	8.81	71	70.82	15	127.72	16	395.22	15	-	603.8
Brown Advisory US Flexible Equity^*	Radar	7	9.55	62	58.60	32	111.30	37	-	-	-	322.7
(C) Fidelity Index US NEW ENTRY		7	10.45	48	55.39	40	117.21	26	-	-	1.47	1844.0
Fidelity American Special Situations		7	2.34	124	26.99	129	84.51	88	299.14	50	-	950.8
Hermes US SMID Equity*	Elite	8	3.38	8 / 17	35.70	10 / 14	96.48	7 / 13	-	-	-	774.1
(C) LF Miton US Opportunities	Elite	7	9.99	54	51.36	65	120.03	24	-	-	-	680.5
SECTOR AVERAGE			**7.96**	**149**	**50.39**	**135**	**98.13**	**115**	**292.37**	**85**		
JAPAN												
Baillie Gifford Japanese^	Elite	10	-0.29	26	42.32	5	99.42	7	228.96	2	1.12	3087.6
(C) JPM Japan		10	1.08	13	46.23	4	126.29	3	199.72	4	0.37	1156.7
Legg Mason IF Japan Equity		10	1.29	10	53.55	2	181.45	1	618.98	1	-	994.7
(C) Man GLG Japan CoreAlpha	Elite	10	-6.32	62	19.12	62	62.04	46	110.11	34	3.06	2112.3
SECTOR AVERAGE			**-1.89**	**73**	**27.53**	**71**	**69.46**	**64**	**123.23**	**53**		
ASIA PACIFIC EXCLUDING JAPAN												
Fidelity Asia Pacific Opportunities	Elite	8	14.27	2	44.95	8	-	-	-	-	-	337.0
Guinness Asian Equity Income*	Elite	8	-0.15	86	29.24	64	69.71	25	-	-	4.10	170.7
Invesco Asian^	Elite	8	1.07	76	39.59	20	73.17	21	193.21	11	1.53	2502.2
JOHCM Asia ex Japan Small and Mid Cap*		9	12.87	5	6.61	100	49.71	51	-	-	-	15.7
(C) Matthews Asia Pacific Tiger*	Elite	8	4.75	43	26.40	74	63.85	32	-	-	-	986.9
(C) Schroder Asian Alpha Plus	Elite	8	2.13	65	41.35	15	72.71	22	226.72	2	1.31	1047.1
Schroder Asian Income	Elite	7.5	4.46	46	31.74	47	56.74	40	202.48	5	3.82	1437.4
(C) Stewart Investors Asia Pacific Leaders	Elite	7.5	3.27	-	28.98	-	60.44	-	200.23	-	1.03	7094.9
SECTOR AVERAGE			**3.87**	**105**	**31.27**	**100**	**53.38**	**91**	**141.73**	**59**		
GLOBAL EMERGING MARKETS**												
Aberdeen Latin American Equity	Elite	10	24.57	-	31.72	-	23.34	-	-	-	-	119.7
Alquity Indian Subcontinent^* NEW ENTRY		10	-21.46	-	14.73	-	63.28	-	-	-	-	40.9
First State Greater China Growth	Elite	10	11.84	5 / 37	50.69	7 / 36	86.22	14 / 34	258.15	2 / 22	-	492.2
GS India Equity Portfolio*	Elite	10	-5.33	-	19.24	-	76.16	-	220.47	-	-	1529.0
(C) Invesco Hong Kong & China^	Elite	10	6.00	18 / 37	49.68	8 / 36	81.68	19 / 34	218.41	3 / 22	-	423.1
(C) RWC Global Emerging Markets*		10	0.30	101	23.76	65	-	-	-	-	-	946.8
Schroder Small Cap Discovery		10	-2.12	-	6.57	-	21.58	-	-	-	0.90	204.1
SECTOR AVERAGE			**5.38**	**110**	**27.16**	**100**	**36.89**	**92**	**92.18**	**46**		
GLOBAL												
Baillie Gifford Global Discovery^	Elite	8.5	-0.72	271	75.67	4	126.06	10	459.21	1	-	839.9
(C) Fidelity Global Special Situations SPOTLIGHT	Elite	7	4.32	192	46.29	67	98.49	38	241.55	43	-	2823.9
(C) Fundsmith Equity	Elite	6	18.37	16	68.79	8	175.67	3	-	-	0.64	19381.8
Investec Global Special Situations	Radar	7	-10.47	318	33.22	178	67.30	147	167.15	114	1.85	178.3
Pictet Global Environmental Opportunities^ NEW ENTRY	Elite	7.5	9.15	94	41.15	115	89.51	54	-	-	-	1074.4
(C) Rathbone Global Opportunities	Elite	6.5	7.10	138	59.07	18	122.40	11	328.11	8	-	1839.1
(C) T. Rowe Price Global Focused Growth Equity*	Elite	7.5	7.13	135	65.40	13	127.39	9	297.09	16	-	1355.6
SECTOR AVERAGE			**5.87**	**321**	**38.85**	**280**	**67.11**	**246**	**173.22**	**169**		
GLOBAL EQUITY INCOME												
Artemis Global Income	Elite	7	-6.59	47	22.06	36	48.30	27	-	-	3.29	3260.8
BNY Global Income	Elite	6	13.90	10	36.99	11	92.45	1	245.38	1	2.96	5837.9
(C) Fidelity Global Dividend	Elite	6	15.76	6	36.59	13	86.93	3	-	-	2.73	1352.0
Fidelity Global Enhanced Income		5.5	14.10	9	32.73	17	79.13	8	-	-	4.48	282.4
Guinness Global Equity Income*	Elite	6.5	10.38	19	35.74	15	75.72	11	-	-	2.41	779.8
(C) M&G Global Dividend***	Elite	7	1.74	237 / 321	37.17	157 / 280	57.91	184 / 246	215.35	65 / 169	3.06	2522.6
TB Evenlode Global Income	Radar	6	19.62	4	-	-	-	-	-	-	2.20	457.0
SECTOR AVERAGE			**5.95**	**52**	**28.92**	**47**	**52.69**	**40**	**168.09**	**12**		
MISCELLANEOUS**												
Artemis Monthly Distribution	Elite	4.5	1.86	-	17.48	-	43.24	-	-	-	4.23	994.4
AXA Framlington Global Technology	Elite	10	10.90	5 / 16	98.68	3 / 14	198.16	2 / 11	522.28	2 / 10	-	754.8
BMO European Real Estate Securities	Elite	7.5	1.85	-	23.65	-	76.91	-	-	-	-	185.0
Guinness Global Energy		9	-20.44	319 / 321	-4.60	278 / 280	-29.73	244 / 246	16.00	167 / 169	-	167.8
Jupiter Financial Opportunities		8	11.37	-	58.92	-	94.10	-	118.31	-	0.20	613.6
M&G Emerging Markets Bond	Elite	4	21.50	3 / 65	29.20	2 / 59	70.50	4 / 53	137.02	6 / 21	6.55	647.9
Merian Gold & Silver	Radar	10	44.93	-	4.19	-	-	-	-	-	-	410.0
Polar Capital Biotechnology		10	-5.84	-	54.76	-	115.92	-	-	-	-	421.2
Polar Capital Healthcare Opportunities	Elite	8	2.87	-	46.18	-	91.85	-	452.64	-	-	1257.1
Premier Pan European Property Share	Elite	7.5	-0.51	-	13.39	-	45.02	-	183.43	-	3.17	254.1
VT Gravis UK Infrastructure Income	Radar	4	12.55	-	21.00	-	-	-	-	-	4.58	438.6

(C) Funds featured in The Chelsea Core Selection (see pages 10-15).

Elite Rating logo Funds that are Elite Rated by FundCalibre.

Elite Radar logo Funds that are on FundCalibre's Elite Radar (see FundCalibre.com for further details). **FundCalibre is an appointed representative of Chelsea Financial Services.**

^ The history of this unit/share class has been extended, at FE's discretion, to give a sense of a longer track record of the fund as a whole.

* This fund is domiciled offshore and therefore sits within a different sector. Please note different regulations may apply to funds with offshore status. Investors are not normally entitled to compensation through the UK Financial Services Compensation Scheme for offshore funds.

** Where there is multiple sector amalgamation, sector positions shown are within various different underlying sectors. Some funds aren't ranked as they are not comparable due to the diverse nature of the sector.

*** These funds fall within a different sector, hence the sector positions vary.

Whilst every effort has been made to ensure the accuracy of this information, Chelsea Financial Services take no responsibility for any errors, omissions or inaccuracies contained therein. The funds within the Chelsea Selection are based on our proprietary research, which is both qualitative and quantitative. Please note this is not investment advice nor does it imply that you should invest in any of these funds. Please read the Important Notice on page 2. Past performance is not a guide to future returns. Correct at time of print, 02/09/2019, but subject to change.

Source: FE Analytics, total return, IA universe, 02/09/2019.

Yields per annum as at 02/09/2019. Yields taken from Income unit versions of fund.

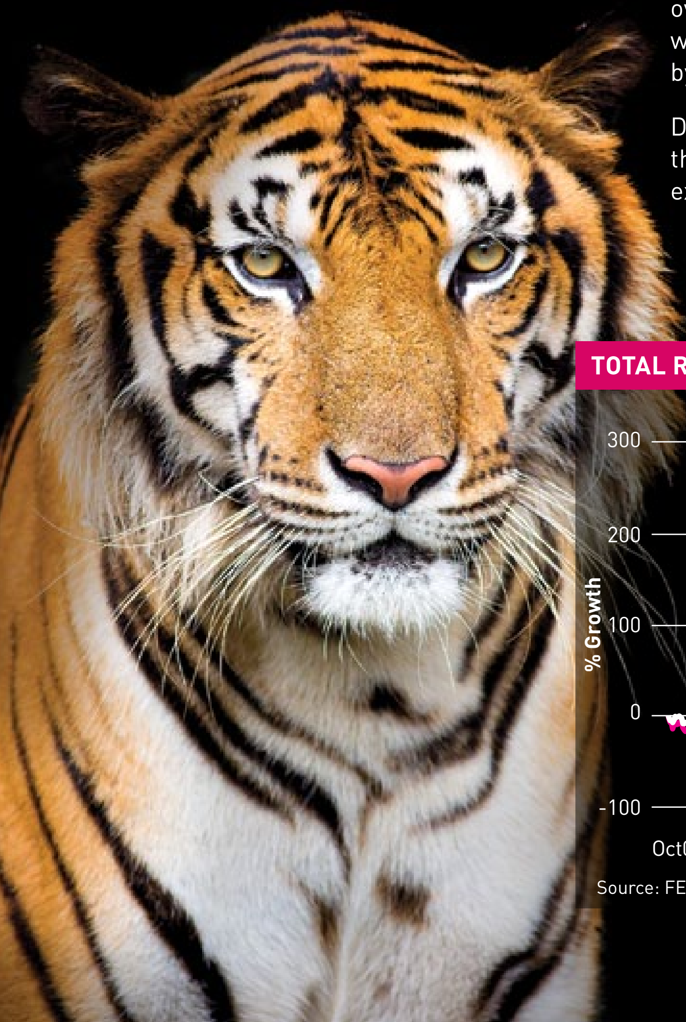
ASIA – TIGER OR PUSSYCAT?

Asia conjures up different images for all of us – whether it's the Great Wall of China or the modern cityscape of Hong Kong or, if you've been lucky enough to holiday there, it could be a white sandy beach. It's a fascinating and diverse region, which has changed dramatically in recent years. But what do you know about it?

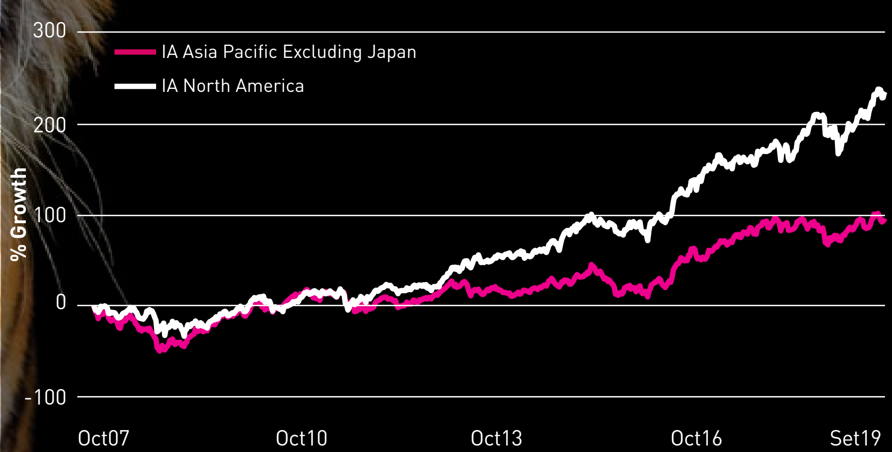
Did you realise that it consists of 48 countries, it's home to half the world's population, next year it is expected to become home to half the world's middle class and Asian economies will be larger than the rest of the world combined. In 2020, China is set to overtake the US as the world's largest economy. India is expected to have one of the highest economic growth rates in the next couple of years and is the world's third-largest economy. Indonesia is likely to overtake Russia and become the world's seventh-largest economy by 2020.

Despite these dramatic changes, this thriving region has failed to excite investors in recent years (see chart below). But this is why it excites us. In a world where valuations are looking stretched in many areas, Asia looks attractively valued. We wouldn't expect an investment there to be plain sailing, you can't ignore the impact of the trade war and slowing global growth, but if you wait for these situations to be resolved, you are likely to miss the boat.

So we wanted to highlight three different ways to approach investing in Asia. David Gait talks to us about his approach to investing in a general Asia fund, Jason Pidcock discusses Asia as an income opportunity and Mike Sell looks at investing in India.



TOTAL RETURN IA NORTH AMERICA VS IA ASIA PACIFIC EX JAPAN



Source: FE Analytics, total returns in sterling, 01/10/2007 to 02/09/2019

STEWART INVESTORS ASIA PACIFIC LEADERS

Elite Rated by FundCalibre

DAVID GAIT

Fund Manager,
Stewart Investors Asia Pacific Leaders

Family values and connections are strong in Asia, so it is perhaps no coincidence that approximately two-thirds of listed Asian companies are controlled by families or their foundations. The opposite is true globally, with approximately two-thirds of listed companies having no identifiable long-term steward. Crucially, this prevalence of family-controlled companies is not limited to one part of Asia. It applies equally from Sri Lanka to Singapore to South Korea. It is perhaps the one feature that binds all Asian markets together.

Why does this matter? For long-term investors, the attractions of family companies are threefold. Most significantly, the best companies require the ability to take long-term decisions that may not generate returns for many years or even decades. For example, Vitasoy, a Hong Kong based soya milk company, started selling soya milk into China in the early 1980s. By 2001 they were still loss-making. They persisted nonetheless and their patience was finally rewarded. Today, mainland China accounts for approximately 40% of group profits*.

This 'crossing the river by feeling the stones' approach to business has been particularly rewarding for companies entering large, untested markets such as China, India and Indonesia. Poor quality companies have often rushed in quickly and tried to conquer the whole market in one giant leap, failing in the process. Good quality companies have taken a much more patient and measured approach. They have only been able to act patiently because they have patient owners. When all around are focused on next quarter's earnings and borrowing to buy back shares to meet management bonus hurdles, the ability to think and act long-term becomes a very valuable asset.

IMPORTANCE OF CORPORATE MEMORIES

As well as looking forward, another advantage of family companies is their ability to look backward, often a very long way. This is particularly useful when it comes to thinking about risk. Singapore's OCBC is a case in point. Owned by the Lee family, this is a bank that traces its roots to the early 1900s. Since then the Bank has survived a number of 'black swan' events, from Japanese occupation closing its Indonesian branches to the nationalisation of its Burmese branches and the relocation of its headquarters from Singapore to Mumbai during the Second World War. The 1997 Asian crisis and the more recent Global Financial Crisis are simply the latest in a long line of storms the Bank has weathered. Such corporate memories make it much easier to run the Bank in perpetual readiness for the next storm. Many Asian family companies have similar stories to tell. It is perhaps the primary reason why there are so many net cash companies in Asia compared with elsewhere. While the rest of the world is busy gearing up, many Asian families are doing the opposite.

SUCCESSFUL ENGAGEMENT

A third advantage of family ownership for investors is less tangible but also important. Investor engagement is most successful when it is based on genuine partnership. It is hard to partner ownerless companies. By contrast, it is possible to establish long-term, lasting relationships with family-owned companies. Engagement then becomes less about confrontation and more about cooperation and collaboration.

NOT ALL FAMILY COMPANIES MAKE FOR GOOD INVESTMENTS

There are, of course, many caveats – not all good quality family stewards run good quality businesses and not all good quality businesses are family-run. Trying to sort out the good from the poor family stewards is a key part of the job of active Asian investors. It ultimately comes down to trust and judgement. Family control structures matter.

ASIA'S REAL ATTRACTION

The presence of a family steward is no automatic guarantee of returns. It is, however, a powerful source of long-term competitive advantage for Asian companies and Asian investors in today's short-term world. This competitive advantage is becoming more important as Asia's businesses become ever more global. As a result, we remain convinced about the long-term returns to be generated from investing in Asia.

STEWART INVESTORS ASIA PACIFIC LEADERS

- Focuses on capital preservation
- Concentrated portfolio of 40-60 holdings
- Highly experienced manager and team
- Mainly invests in large-cap stocks

Chelsea Risk Rating	7.5
Annual management charge	0.85%
Ongoing charges figure	0.88%

THE CHELSEA VIEW

This fund has been on our Selection panel since launch and has produced impressive returns for investors over this time. The team are experts in Asia and are very risk averse, so whilst the fund may not capture all the upside in a strongly-rising market, it will protect on the downside, giving investors a smoother ride in Asia.

JUPITER ASIAN INCOME

Elite Rated by FundCalibre

Asia boasts a far larger, more diversified pool of dividend-paying companies than many realise. In fact, over the past couple of decades, the investible universe for Asian income has doubled.**

The most developed markets in the region – including Australia, New Zealand, Singapore and Hong Kong – are already home to a host of large, well-established dividend payers. However, this established dividend culture belies a greater change in the region, most notably through improving levels of corporate governance, as companies increasingly acknowledge their responsibility to share profits with shareholders. This is doubly advantageous for income investors, who can reap the benefits of both higher-quality company management and dividend payments.

Favourable demographics present another huge advantage from an income investor's perspective. Compared with its Western counterparts, economic and population growth within the region remains strong, even among its most developed countries, fuelling demand for goods and services and providing scope for corporate gains. However, populations are also ageing, which provides further incentive for local investment institutions to encourage dividend payments. While the old model was to manufacture goods cheaply to export to Western markets, today trade between Asian countries has been boosted by rapidly expanding services.

Finally, rising levels of infrastructure development have also been driving the growth of many high-yielding stocks. Construction of airports, utilities, pipelines and toll roads results in a wide choice of high-quality, high-yielding investment opportunities.

Together, these dynamics mean the Asia Pacific region can offer investors the rare combination of income and growth.

**Source: FactSet, CLSA.

OUR APPROACH

The Jupiter Asian Income fund's investment strategy is reasonably straightforward. I look for high-quality, dividend-paying businesses within the Asia Pacific ex-Japan region, paring down extraneous risks and distractions to ensure a focus on fundamentals. This informs each stage of the investment process, from stock and country analysis to defining my investment universe.

One of my pre-conditions for investment is to understand a company's business model clearly and quickly. If a company's activities cannot be broken down simply, then I will not invest in it. That isn't to say I will invest only in the simplest companies, but by focusing on businesses that can be easily understood (e.g. a toll road operator, rather than a biotech company), I can strip out exposure to overcomplicated or opaque business models whose behaviour and development are likely to be difficult to predict.

Alongside company analysis, I also think about the big picture, factoring in the macroeconomic environment. This includes local or regional politics, the dynamics of the economy, local currency, interest rates and how commodity prices (e.g. oil) affect the local economy. It's important to understand how these factors would affect a company. Not being tied to a benchmark allows me the freedom to ensure the portfolio contains what I believe is the best combination of companies, based on both company specifics and the macroeconomic environment. I never feel that I must hold companies in any given stock market simply because it lies within the region.

My investment process leads to a concentrated portfolio of between 30 and 40 stocks. I remain dedicated to delivering a solid dividend stream to investors, focusing on identifying companies that have an ability and willingness to pay dividends. At the same time, I am also mindful of investing in companies with strong growth potential. Liquidity (i.e. how easily an asset can be converted into cash) is important to me too, particularly in the current environment; I hold a diversified portfolio of liquid large-cap companies, none of which have a market capitalisation below $2.5bn.

Asia is a dynamic and compelling investment universe offering investors attractive portfolio diversification. Economic fundamentals that underpin cash-generative Asia Pacific stocks from across the region can offer a compelling investment proposition in the medium and longer term.

JASON PIDCOCK

Fund Manager, **Jupiter Asian Income**

JUPITER ASIAN INCOME

- Yields 3.6%, paid quarterly
- Concentrated portfolio of 30-40 stocks
- Invests in larger, liquid stocks
- Focuses on dividend growth, as well as yield

Chelsea Risk Rating	7.5
Annual management charge	0.75%
Ongoing charges figure	0.98%

THE CHELSEA VIEW

Jason has been investing in Asia for more than 25 years, with over 10 years focusing on Asian income (previously managing Newton Asian Income). The portfolio's income mandate, along with its higher weighting to Australia than its peer group, make the fund a relatively lower-risk way to access Asia.

ALQUITY INDIAN SUBCONTINENT

MIKE SELL

Fund Manager, **Alquity Indian Subcontinent**

With all the necessary attributes to transition into a major developed economy over the course of the coming decades, India, to us, offers a unique investment opportunity.

Its population of more than 1.3 billion is second only to China's. However, by 2030 India is expected to become the most populous country on earth. In addition, the demographics of India are some of the best on the planet. More than 760 million people, 59% of the population, are in their prime working age (15-54 years). No other country has (or will have) such a massive, young labour force.

Secondly, Narendra Modi's first term as Prime Minister (between 2014 and 2019) delivered multiple reforms, including the introduction of the uniform Goods and Services Tax across states, which is similar to the UK's VAT. The primary aim of the reforms was to promote the formalisation of the grey economy, which represents over 90% of the retail industry and over 40% in many sectors, such as construction materials and food products, as well as to improve the sustainability of public finances. This has led to a faster shift from the informal to the formal sector, benefiting the companies that we invest in. The full impact is yet to be realised.

MODI 2.0

Modi has recently been re-elected for a second term, with an increased majority, as well as greater control of the Upper House of parliament and the individual states. Thus, the aforementioned structural positives will be further amplified by the reform agenda over the coming five years (referred to as Modi 2.0), with increased flexibility in labour laws already announced. These overarching themes will consistently contribute to the sustainability and acceleration of India's robust GDP growth for many years to come, which we do not believe is reflected at all in current market valuations.

Furthermore, due to a benign inflationary environment, the Reserve Bank of India (RBI) has reduced interest rates by 0.75% to 5.75% this year. In our opinion, the RBI will continue to ease financial conditions to foster loan growth, which in turn will translate into stronger business investment activity. In addition to the tailwinds provided by the RBI, the government will also bolster the economic cycle by accelerating infrastructure spending and has announced plans to develop the railway network, build roads (125,000 km or about 77,670 miles over the next five years) and increasing access to electricity, cooking gas and clean water for all Indian households by 2024. It is also noteworthy that India is not significantly exposed to trade wars, with exports only accounting for 18% of GDP – growth is largely driven by domestic factors.

DOMESTIC GROWTH PORTFOLIO

Our portfolio is entirely positioned to benefit from the long-term, domestically-orientated structural themes that are transforming India. For example, Heidelberg Cement, KEI (electrical cables manufacturer) and Escorts (tractors and construction equipment) are benefiting from the increasing focus on infrastructure and lower interest rates. Vmart (leading retailer in smaller cities) and TCI Express (logistics and delivery) are gaining from the shift from the informal to the formal economy. Maruti Suzuki (dominant car manufacturer), Hero Motor (leading motorcycle manufacturer) and Mahindra Finance (consumer lending) are all poised to benefit from rising income levels and the increasing affordability of cars and bikes. We believe that these companies represent the best of India, with long-term sustainable competitive advantages and excellent long-term growth prospects.

Alquity's approach emphasises not only macroeconomic and financial analysis but also environmental, social and governance factors to assess management quality, operational excellence and firm values. This results in a "quality growth" focused portfolio that monetises long-term themes. Furthermore, we donate a minimum of 10% of our management fees to development projects in the regions in which we invest. By contributing to long-term sustainable economic development, we create more opportunities for our companies to ultimately succeed.

ALQUITY INDIAN SUBCONTINENT

- Focuses on India's strong domestic growth
- Positioned to benefit from the themes of urbanisation, consumption and economic formalisation that are transforming India
- Highly experienced manager, investing in India for 25 years
- Concentrated portfolio, currently with 27 holdings
- Donates a minimum of 10% of management fees to development projects

Chelsea Risk Rating	10.0
Annual management charge	0.90%
Ongoing charges figure	1.55%

THE CHELSEA VIEW

This fund is firmly positioned to take advantage of the domestic growth story as it unfolds. Mike has a strong understanding of both the Indian economy and the companies within it.

VCTs:
IMPORTANT CONSIDERATIONS IN AN EVOLVING MARKET

PETER HICKS

Research Analyst, **Chelsea**

Having been around for almost 25 years Venture Capital Trusts (VCTs) continue to support the best of British by backing small businesses with big futures.

The past quarter century of growth has come in tandem with numerous regulatory changes, the most recent of which has seen VCTs re-focus on investing in early stage companies which require money for growth.

With investors receiving 30p of tax relief for every £1 invested in a VCT share offer, the valuable benefits are clear, and their popularity shows no signs of slowing. But, as with every investment, due diligence is important. Here are five things you should consider before investing in a VCT today.

FIVE THINGS TO CONSIDER

1 Investors must be aware **the tightening of regulatory rules has shrunk the pool of investments** available to VCT providers. A smaller pool of companies means there is likely to be more competition to invest – which could result in valuations increasing. This is where existing providers offering top-ups have an advantage – for now. They can still hold existing less risky investments. Dividend payments have been a popular way for providers to pay off excess cash in their portfolios in the past couple of years, and this is likely to remain so in a bid to comply with the rules.

2 Investors should know that **VCTs fall into three main camps**, with the majority being classified as 'Generalists' – these VCTs basically have the flexibility to invest anywhere they feel the opportunities lie. By contrast the second group (Specialists) focus on a specific area, for example technology. These tend to be smaller in size but have higher fixed costs. The third group is Alternative Investment Market (AIM) VCTs, these are listed portfolio companies meaning they are required to meet minimum regulatory and governance requirements. One benefit of these offerings is they can be easier to sell than their unquoted counterparts.

3 **Management of a VCT can also play a key role**. With the exception of AIM companies, VCTs invest in unlisted companies, which means providers need to take a closer look at the management of a company and the industry it invests in. All of this helps to understand the long-term growth story. This is where VCT management with a strong network will have a distinct advantage over their peers. They have the ability to target these early stages companies before they enter a bidding war with a growing number of competitors – deal flow has become more important than ever.

4 **Negotiation is a critical - yet often overlooked - part of venture capital investing.** Deals are made face to face – it's not like trading on a stock exchange – and management who can deliver on this front have a strong advantage. Some VCT managers can go as far as to simulate and practice negotiation via the use of external training teams, with the training focused around them being able to extract as much value from their deals as possible. It is also an important consideration when selling their positions. A VCT manager may not always be the highest bidder, but will aim to add value through their network of contacts and knowledge of growing small businesses. To put this into context, many VCT providers actively participate in the company's growth plans. It's not uncommon for a VCT manager's team to sit on the board of directors, allowing them to actively participate in a company's development.

5 **VCTs invest in higher risk**, smaller companies which may fail. They are also very illiquid, which means investors may end up investing for longer than the minimum five-year period. There is a risk that you will get back less than your original investment. Tax assumptions are subject to statutory change and the value of tax relief (if any) will depend upon your individual circumstances.

TAX BENEFITS FROM VCTs

- Initial income tax relief of 30% (only if held for five years)
- Tax-free dividends
- Free of capital gains
- Invest between £3,000 and £200,000 every tax year

TAX RELIEF EXAMPLE

£10,000 Initial investment

£3,000 30% Income tax relief

£7,000 Effective investment cost

Here are three VCT raises we like for the 2019/20 season:

MOBEUS

Mobeus is one of the top performers in the VCT space and was among the first to adapt to the growth equity environment. Trevor Hope, formerly CIO of Beringea, manager of the Proven VCTs, was hired by Mobeus to build the new growth team. Whilst at Proven, Trevor led the investment team, delivering a number of successful growth investments including Fjordnet and Watchfinder. Mobeus meet approximately 40 prospects a month with only 1 or 2 progressed to the next level. Mobeus focuses on the potential value of an opportunity and on many occasions will decline an investment based upon the company not being sufficiently scalable.

PEMBROKE

Pembroke is a relatively new VCT with a growth equity strategy. The manager, Andrew Wolfson, is an experienced entrepreneur, running businesses in the hospitality, manufacturing and telecoms sectors. The Pembroke team invest in founder-led businesses and will typically make equity deals in the range of £1.5m to £2.5m. They assess how much the founder has achieved with what funding, and whether the business is scalable. Andrew and his team are very hands-on with the companies they invest in, bringing with them an extensive business network.

AMATI AIM VCT

Amati is an experienced smaller companies manager, making their tax-efficient AIM VCT a natural complement to their successful flagship UK Smaller Companies fund. Managed by the same team, they screen for companies valued over £15 million, have high barriers to entry and deliver a product or service with strong pricing power. They avoid cash thirsty businesses that repeatedly turn to the market for further funding. They will then conduct management meetings and wider due diligence of the industry. A final team review is held, where the investment case is debated prior to the investment.

Name of VCT	Type of VCT	Minimum Investment	Initial Charge	Chelsea Discount	Closing Date
Amati AIM VCT	AIM	£4.000	3%	2%	See website for details
Mobeus VCT	Generalist	£6.000	3%	0.5%	See website for details
Pembroke VCT	Generalist	£3.000	3.5%	2.25% (until 15th December or until the first £5 million of the offer)	15/12/2019

SUSTAINABLE INVESTING:
FOR A PLANET LAID BARE

RYAN LIGHTFOOT-BROWN

Senior Research Analyst, **Chelsea**

Earth Overshoot Day marks the date when humanity's annual demand on nature exceeds what Earth's ecosystems can regenerate in that year. We first went into a deficit in the 1970s. By the late 1990's we'd used nature's resource budget for the entire year by October. This year the date was 29 July – the earliest ever.

Record temperatures, rainfall and hurricane strengths around the world are continued evidence that climate change is occurring, while recent television programmes such as Netflix's *Our Planet* and the BBC's *War on Plastics*, as well as horrific pictures of the Amazon rainforest burning, remind us that we are making a bad situation worse.

The good news is that the public - and most governments - have woken up to the fact that something has to be done. And so, it seems, have investors. Sustainability is the new buzz word.

We asked three fund managers, who are actively looking for companies that are doing good things and having a positive impact on the world around them, to give us their views and describe how they go about investing in a sustainable manner.

PICTET GLOBAL ENVIRONMENTAL OPPORTUNITIES

Elite Rated by FundCalibre

Investors, we believe, can find attractive long-term growth opportunities in companies that provide solutions to environmental challenges. We see structural growth opportunities for investments in areas ranging from pollution control to renewable energy, waste management and recycling to sustainable agriculture and forestry – many in the quest for a dematerialised economy. The latter refers to companies that enable manufacturers to lower their consumption of raw materials, while simultaneously maintaining - or even raising - their output. We believe that the market is under-appreciating the secular growth potential across these segments.

Pictet Global Environmental Opportunities harnesses this potential by identifying and investing in companies with significant exposure to these environmental solutions segments. We seek to ensure that we invest in companies that not only provide environmental solutions in targeted areas, but also exhibit an ecological footprint compatible with environmental sustainability. Indeed, we believe those are the companies that will be in business for the long term.

To this effect, we have pioneered the implementation of the planetary boundaries approach into our investment decision making. This science-based framework determines nine critical dimensions of environmental sustainability, as well as global limits to human impacts on them - which if crossed could lead to severe destabilisation of the biosphere. These dimensions include climate change, ocean acidification, chemical pollution, changes in land use, ozone depletion, atmospheric aerosol loading, changes in the nitrogen cycle, biodiversity loss, shifts in the phosphorous cycle and the depletion of freshwater supplies.

We rely on a life cycle analysis of companies' business models and screen for those that, on balance, are active within a safe operating space for the planet. This integrated approach allows us to combine sustainability for the environment with sustainable growth for our investments.

BMO RESPONSIBLE GLOBAL EQUITY

Elite Rated by FundCalibre

We believe responsible investing and long-term financial returns go hand-in-hand. As such, we have built up a robust three-team process led by the Global Equities team and supported by the sustainability insights of both our internal 16-strong Responsible Investment team, as well as the advice of our external Responsible Investment Advisory Council, presided over by the Most Reverend Justin Welby, Archbishop of Canterbury.

BMO Responsible Global Equity has a clear investment philosophy: to avoid companies with damaging or unsustainable business practices such as the extractives and tobacco industries, invest in companies making a positive contribution to society and the environment, and use our influence as investors to engage with companies to improve their ESG practice management.

The world faces ever-growing challenges which come from living on a planet with increasing populations and depleting natural resources. We believe that by investing in, and engaging with, quality businesses that are embracing and providing solutions to these challenges, there is an outlook of structural growth for the underlying holdings and a robust long-term risk/reward pay-off for the fund.

Examples of the fund's holdings that are addressing environmental and societal issues include the US water technology provider Xylem addressing water scarcity; HDFC Bank the Indian financial institution helping to provide access to finance, including the 190 million 'unbanked' adults in India; and the Irish food and ingredients manufacturer Kerry Group, which is working with global food producers to reduce salt, fat and sugar content in food.

RATHBONE GLOBAL SUSTAINABILITY

On FundCalibre's Elite Radar

Myopic attention on short-term shareholder returns, regardless of cost, can be much more damaging to your portfolio than walking away from something you don't agree with. Squeezing suppliers too much forces them to erode the quality of the parts on which your gadget depends. Not thinking about how your actions affect your community, could mean your expansion plans are blocked by local voters. Exploiting the environment may mean you don't have a crop to sell in 10 years' time. There goes your business.

But it's not all about risks. Increasingly, people are starting to cotton on to the massive challenges that face our society and they are demanding change. Businesses have an enormous part to play in this: they are the conduit for everything from our food to our electronics, from keeping the lights on to how we get to work in the morning. The opportunities are huge for companies that can find sustainable solutions to our environmental conundrums, to those businesses that can offer sustainable products to customers that vote with their wallets.

We don't invest in any industries that are hurting people or our planet in the Rathbone Global Sustainability fund, but we go one further: we buy those companies that are actively moving our economies in the right direction. To assess businesses' environmental and societal policies and practices, we map their operations on the United Nations Sustainable Development Goals. They target everything from alleviating poverty and cleaning up waterways to improving education and reducing our carbon emissions by 2030.

There is a general feeling that investing in sustainable companies must come at some cost, that investing with principles must equal lower returns for investors. We think this is fundamentally wrong. We believe the companies that are far-sighted enough to read the future and make the right decisions today tend to make great investments.

THE CHELSEA EASYISA

The Chelsea EasyISA offers a choice of five simple portfolios, each spreading your investments across six funds. All you have to do is choose one of the five options, based on your own requirements and attitude to risk.

JULIET SCHOOLING LATTER

Research Director, **Chelsea**

Your ISA will then be spread equally across the corresponding six funds within the Chelsea FundStore. These EasyISAs are simply suggested portfolios and, due to their exposure to equities, may be subject to volatility, and thus potential capital loss. **The EasyISAs are not managed by Chelsea.**

AN ALTERNATIVE SOLUTION FOR INVESTORS WHO WANT MANAGED FUNDS

The EasyISA portfolio changes are detailed below and you need to make any switches yourself. However, our VT Chelsea Managed Funds are monitored daily and the portfolio changes are all done for you.
For more details, see pages 6-9.

HOW MUCH CAN YOU INVEST?

The ISA allowance** is £20,000 for the current tax year, **6 April 2019 - 5 April 2020**.

HOW TO INVEST

Call us on **020 7384 7300**

Visit us at **chelseafs.co.uk**

Send us a completed application form **(see booklet)**

PORTFOLIO CHANGES

BALANCED GROWTH EASYISA:

Following underperformance due to a style headwind, Fidelity American Special Situations has been replaced by Fidelity US Index.

INCOME EASYISA:

Threadneedle UK Equity Alpha Income has struggled in the current environment so we are replacing it with a more core holding, Rathbone Income.

CAUTIOUS GROWTH EASYISA

Cautious Growth is for the more risk-averse investor who is looking for growth with lower volatility. The portfolio has approximately one third invested in equities. Approximately one third will be invested in fixed interest, which tends to be less volatile than equities. The final third of the portfolio comprises targeted absolute return funds that should produce uncorrelated returns. N.B. this portfolio contains up to 40% equity exposure, so may be subject to greater volatility than the term 'Cautious' may suggest and there is potential for capital loss.

Average Annual Management Charge	0.69%*#
Average Ongoing Charges Figure (OCF)	0.79%†
Benchmark	1/3 Strategic Bond (sector average) 2/3 Mixed Investment 20-60% (sector average)

Performance	Cautious Growth Portfolio	Benchmark	IA Mixed Investments 20-60% Shares**
3 Year	19.12%	11.64%	13.51%
5 Year	34.90%	22.39%	25.59%
10 Year	98.07%	70.34%	73.69%

FE Analytics data as at 02/09/2019 compiled by Chelsea. *A performance fee may be applied, see the KIID for further details. **Sector average

** For more information on ISA allowances visit www.gov.uk/individual-savings-accounts

†OCF: The cost includes the annual management charge and other fees such as registration, regulatory, audit and legal fees. # The annual management charge is paid to a fund management company for managing the fund. It is calculated as a percentage of the value of the fund. The annual management charge is less than the Ongoing Charges Figure (OCF). These portfolios do not include cash allocations. Charges as at 02/09/2019. ^Yields per annum as at 02/09/2019.

BALANCED GROWTH EASYISA

Balanced Growth offers a medium level of risk and is for investors who wish to benefit from global equity markets, with some defensiveness offered through one sixth of the portfolio being invested in fixed interest and one sixth in targeted absolute return. The portfolio has the majority of its assets invested in equities based in developed markets (up to a maximum of 70% in equities), and so there is the potential for capital loss. The fixed interest portion is invested in a strategic bond fund which has the ability to invest across the credit quality spectrum.

- Fidelity Index US
- Janus Henderson Strategic Bond
- Janus Henderson UK Absolute Return*
- Liontrust Special Situations
- Schroder Recovery
- Threadneedle European Select

Average Annual Management Charge	0.65%*#
Average Ongoing Charges Figure (OCF)	0.74%†
Benchmark	1/3 UK All Companies (sector average) 1/3 Global (sector average) 1/3 Mixed Investment 20-60% shares (sector average)

Performance	Balanced Growth Portfolio	Benchmark	IA Mixed Investments 40-85% Shares**
3 Year	17.54%	22.32%	20.29%
5 Year	39.18%	38.70%	36.71%
10 Year	129.63%	121.31%	104.50%

FE Analytics data as at 02/09/2019 compiled by Chelsea. *A performance fee may be applied, see the KIID for further details. **Sector average

AGGRESSIVE GROWTH EASYISA

Aggressive Growth is for the investor looking for pure capital growth, who is comfortable with a higher degree of risk and is willing to invest a portion in Asian and emerging market equities. The portfolio is an unconstrained global equity portfolio, with exposure to large, mid and small-cap companies. It has the potential to produce greater returns through investing in faster-growing regions and more dynamic companies, but with a greater degree of risk and volatility. This portfolio can hold up to 100% in equities so there is the potential for greater capital loss.

- BlackRock European Dynamic
- Fundsmith Equity
- JOHCM UK Dynamic*
- LF Miton US Opportunities
- Marlborough UK Micro-Cap Growth
- Stewart Investors Asia Pacific Leaders

Average Annual Management Charge	0.77%*#
Average Ongoing Charges Figure (OCF)	0.86%†
Benchmark	MSCI World Index

Performance	Aggressive Growth Portfolio	Benchmark	IA Global**
3 Year	39.84%	43.98%	39.05%
5 Year	63.75%	84.38%	67.36%
10 Year	190.03%	232.81%	173.63%

FE Analytics data as at 02/09/2019 compiled by Chelsea. *A performance fee may be applied, see the KIID for further details. **Sector average

INCOME EASYISA

Income is for investors looking to generate income, with some prospect for capital growth. The portfolio is invested in fixed interest across the credit quality spectrum and defensive, dividend-paying companies, based largely in developed markets. This combination aims to maintain, and potentially grow, capital over the long term, whilst paying dividends throughout the year. The portfolio has approximately 50% exposure to equities, at the time of writing, so there is the potential for capital loss.

- Invesco Monthly Income Plus Yield: 5.23%^ Paid: Monthly
- Jupiter Strategic Bond Yield: 3.20%^ Paid: Jan, Apr, Jul, Oct
- M&G Global Dividend Yield: 3.06%^ Paid: Mar, Jun, Sep, Dec
- ASI UK Equity Income Unconstrained Yield: 5.04%^ Paid: Mar, Jul
- Rathbone Income Yield: 4.04%^ Paid: Jun, Dec
- TwentyFour Dynamic Bond Yield: 3.62%^ Paid: Mar, Jun, Sep, Dec

Average Annual Management Charge	0.76%#
Average Ongoing Charges Figure (OCF)	0.83%†
Benchmark	1/2 Strategic Bond (sector average) 1/2 UK Equity Income (sector average)

Performance	Income Portfolio	Benchmark	IA Mixed Investments 20-60% Shares**
3 Year	13.49%	9.83%	13.51%
5 Year	22.81%	20.89%	25.59%
10 Year	102.70%	96.17%	73.69%
Average Portfolio Yield	4.03%^		

FE Analytics data as at 02/09/2019 compiled by Chelsea. *A performance fee may be applied, see the KIID for further details. **Sector average ^Yields as at 02/09/2019

GLOBAL INCOME EASYISA

Global Income offers investors a medium to high level of risk within a globally diversified portfolio and these equity income funds are selected for their potential to grow their yields over time. Over 50% of the portfolio is invested in US and European equities, with approximately 15% in UK equities. The remainder is invested across other regions, such as Asia, emerging markets and Japan. This portfolio can hold up to 100% in equities so there is the potential for greater capital loss.

- Artemis Global Income Yield: 3.29%^ Paid: May, Oct
- BlackRock Continental European Income Yield: 4.43%^ Paid: Feb, May, Aug, Nov
- Fidelity Global Enhanced Income Yield: 4.48%^ Paid: Feb, May, Aug, Nov
- Guinness Global Equity Income Yield: 2.41%^ Paid: Aug, Feb
- Man GLG UK Income Yield: 5.38%^ Paid: Monthly
- Schroder Asian Income Yield: 3.82%^ Paid: Mar, Sep

Average Annual Management Charge	0.75%#
Average Ongoing Charges Figure (OCF)	0.92%†
Benchmark	Global Equity Income

Performance	Global Income Portfolio	Benchmark	IA Global Equity Income**
3 Year	25.41%	29.96%	29.08%
5 Year	53.30%	56.23%	52.89%
10 Year	N/A	175.72%	168.42%
Average Portfolio Yield	3.97%^		

FE Analytics data as at 02/09/2019 compiled by Chelsea. *A performance fee may be applied, see the KIID for further details. **Sector average ^Yields as at 02/09/2019

†OCF: The cost includes the annual management charge and other fees such as registration, regulatory, audit and legal fees. # The annual management charge is paid to a fund management company for managing the fund. It is calculated as a percentage of the value of the fund. The annual management charge is less than the Ongoing Charges Figure (OCF). These portfolios do not include cash allocations. Charges as at 02/09/2019. ^Yields per annum as at 02/09/2019.

FUNDS UPDATE

Here's an update on our proprietary views on four widely-held funds, where a change has taken place that we believe is noteworthy.

SAM HOLDER

Operations Director, **Chelsea**

ARTEMIS US EXTENDED ALPHA

Manager Stephen Moore recently announced he was stepping down. This is one of very few funds which has consistently been able to add value in the US market. Following Stephen's decision we have had a meeting with William Warren co-manager of the fund since launch. Following that meeting, we were convinced that William has the capability to manage the fund effectively and we kept the fund as a generic 'buy' rating. William has worked with Stephen since 2008, originally at Columbia Threadneedle and then later at Artemis. He continues to be supported by the rest of the Artemis US team, which is highly regarded, and William plans to continue strengthening the team further following Stephen's departure.

BUY RATING MAINTAINED

JUPITER EUROPEAN

Alexander Darwall, arguably one of the most successful fund managers in the UK is stepping down from the fund to launch his own firm. Alexander has agreed not to compete with Jupiter's open-ended funds for two years. The fund will be taken over by Mark Nichols who previously worked on Threadneedle European Select fund. We have met Mark and think he is a good fit to take over the fund and rate him highly. Alexander was involved in Mark's recruitment and his style and investment approach are similar. Mark Nichols will shortly be joined by Mark Heslop who also worked on the European team at Columbia Threadneedle. Both of them have a strong historic track record. In the short term Mark may have to contend with some redemptions as investors switch out of the fund and it may also take him a little while to re-position into the stocks he favours. As a result, we have downgraded the fund to hold for the moment and will re-visit it again in the future.

DOWNGRADED TO HOLD

INVESCO HIGH INCOME

Mark Barnett took over this fund after Neil Woodford left in 2014. Mark has a strong long-term track record. However, in the past few years there have been a number of stock-specific mistakes and recent performance has been very disappointing. The fund has also suffered from its value style which has been out of favour. A small portion of the fund is invested in small unquoted businesses. The fund is still large and investors continue to be net sellers of the fund. We are concerned that the majority of the fund is currently invested in companies with market capitalisations of less than £5bn and continues to be in redemption which makes it difficult to manage.*

*Invesco High Income August 2019 factsheet

DOWNGRADED TO SWITCH

WOULD YOU RECOMMEND CHELSEA?

Many of our clients come to us after being recommended by an existing client. We are pleased and grateful that people are so happy with our service they feel confident to recommend us to their friends and family.

If you recommend a friend (someone new to Chelsea) we will send them details of our services and we will send you:

- £50 worth of John Lewis vouchers when they invest or transfer over £25,000
- £25 worth of John Lewis vouchers when they invest or transfer over £5,000

Investments must be retained with us for at least 12 months. Terms and conditions apply. Just complete this form and return it to us. You can recommend as many people as you like – there's no limit.

YOUR DETAILS

Title	First name
Surname	
Address	
	Postcode
Telephone	

FRIEND'S DETAILS

Title	First name
Surname	
Address	
	Postcode
Telephone	

FRIEND'S DETAILS

Title	First name
Surname	
Address	
	Postcode
Telephone	

William Roberts, Staffordshire, said:
"We're so happy with the VT Chelsea Managed funds. They've made more in six months than our savings did in three years in a cash ISA."

Christopher Bowden from Leamington Spa, said:
"No matter who I speak to at Chelsea, the customer service me and my family receive has always been superb, so thank you!"

WE'RE HERE TO HELP

We're proud to offer our clients a very personal service.

Unlike others, we're not 'online only'.

And we haven't 'outsourced our customer support function'.

We have a team in our office in Chelsea.

And we'd be pleased to help.

So if you need a little extra help or guidance, you can call us on **020 7384 7300** or email us at **info@chelseafs.co.uk**

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