ISSUE 50 OCTOBER 2020

VIEWPOINT

The magazine for Chelsea Investors

CHELSEA Investment Intelligence™

WELCOME TO VIEWPOINT

DR JOHN HOLDER

Chairman, **Chelsea**

Welcome to the Autumn edition of Viewpoint. I do hope that you and your families have stayed safe throughout the Covid pandemic. It has been a tough year for so many, with, most obviously, the health implications but also the economic fallout from the pandemic. So many businesses have struggled and, alongside them, the investors in those businesses. With many of you concerned about finding income in the current climate, we thought we should address this issue in our main feature, The Quest for Income, on pages 22-25. As we go to press the outlook remains uncertain, but the possibility of a vaccine looks increasingly likely. The Polar Capital Healthcare team discuss this, along with other Covid-related stocks on page 26.

On a more positive note, our VT Chelsea Managed funds reached their three-year anniversary in June. We take a look back over the past three years on pages 6-9. We are grateful to all our investors for not panicking in the sell-off this year and hopefully these pages will reassure you that we have been working hard on your behalf. Whilst we have largely been working from home, we have tried hard to maintain our excellent customer service and will continue to do so throughout these challenging times.

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CONTACT POINT

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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
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UK All Companies	5-8
UK Equity Income	5-7
Mixed Investment 40-85% Shares	5-7
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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.

MARKET VIEW

We've had to write some difficult market views in the past two decades but this one is definitely up there.

DARIUS MCDERMOTT

Managing Director,
Chelsea

In that time, we've had some real ups and downs. Viewpoint in its current format first launched when markets were reeling from the dotcom bubble. This was followed by a strong recovery from early 2003 until the Global Financial Crisis of 2008. If you had asked me and my colleagues at the time, we would've all agreed that that would be the most challenging period of our entire working careers – how wrong we were!

Markets then went on a 10-year bull run with only a few speed bumps in the road, such as the European sovereign debt crisis in 2010. We've also been introduced to a world of super low interest rates – the result being that growth investing has comprehensively outperformed value, to the point where some are questioning whether the latter style of investing is now obsolete.

I saw a chart recently which showed value was the dominant investment style for the past 50-60 years until 2008. However, the past 12 years have seen the tables truly turned in favour of growth – something which is unlikely to change soon with the coronavirus pandemic exacerbating the trend.

It would be easy to ignore value investing as a whole given the challenges it faces. However, there are plenty of good value managers out there with sound investment philosophies and processes which have stood the test of time – but they are having to justify themselves because performance looks poor compared with an average growth fund.

This is one of the hardest jobs when researching funds, unpicking these style difficulties. Being a growth fund in the past decade has been enough to outperform, but that does not mean it is a great fund. Our job is to find the true stars of the industry – growth and value – and it is a job we relish.

2020 HINDSIGHT

Covid-19 has undoubtedly given many of us a set of unique challenges to overcome. The UK is now in a recession with job losses mounting. The pandemic has also accelerated a number of structural trends, such as the rise of online shopping and working from home. The unprecedented nature of the virus really did unsettle markets, to the point where there was a liquidity squeeze which resulted in the fastest sell-off in history, with global markets falling some 25% in a month. However, concerted and unprecedented action by central banks stabilised markets. With interest rates at such lows, money has been driven into markets. Whilst many areas of the market are still struggling (airlines, hospitality etc), some areas of the market have been unaffected or even thrived (gaming, technology etc). However, even if a vaccine were to be discovered, it will take some time for the global economy to get back on its feet given the damage that's been done.

FOCUSING ON THE FUTURE

Markets globally bounced at the end of March, following central bank intervention, although the UK didn't participate to the same extent. As the possibility of a 'no-deal' Brexit looms at the end of the year, the UK remains relatively cheap. If a deal does materialise, I think we could see a relief rally in the UK.

As we look out to 2021, I expect it will be a case of holding our nerve and being flexible. With the pandemic ongoing, the US election on the horizon, high unemployment and Brexit remaining a major hangover on the UK economy, it would be a brave person who has enough conviction to predict the future.

With interest rates at such low levels and dividends in short supply, income is hard to come by. Cash and government bonds don't look attractive at these levels but there are selective opportunities in corporate and high yield bonds.

In periods of uncertainty it is important for us to reaffirm our investment beliefs, in particular the benefits of active management and that small and mid-cap companies outperform their larger peers over the long term. For us, it's about sticking to those convictions which have served us so well in the past to give you the best investments to reach your financial goals.

ISA UPDATE

With 2020 not panning out as expected, it's easy to put your financial goals on hold along with everything else. But financial plans and investments are for the long term, so steps taken today can have a big impact in years to come.

SAM HOLDER

Operations Director, Chartered Financial Planner, **Chelsea**

Stocks & Shares ISAs are really popular with both new and experienced investors because they are simple accounts that make it easy to buy, hold and sell investments. They're tax free too, which means more money for you.

While we would always suggest investing for at least five years (because markets go up and down), Stocks & Shares ISAs are actually very flexible, letting you get to your funds relatively quickly if needs be.

WORRIED ABOUT MARKET VOLATILITY? INVEST REGULARLY

This couldn't be easier and the minimum investment is only £10 through Chelsea. As well as being convenient, investing monthly can smooth out the highs and lows of the markets. Just like you pay your bills by direct debit, you can get into the habit of paying yourself too. If you've got an account with Chelsea already, just log in to set up your monthly savings. If you're new to us, it's quick and easy to set up an account - and we'd love to have you.

The 2020/21 ISA allowances are:

Stocks & Shares ISA: **£20,000**

Junior ISA: **£9,000**

EIGHT REASONS TO CONSIDER A STOCKS & SHARES ISA

- Interest rates on cash savings are at record lows and are unlikely to rise meaningfully soon
- 0% capital gains tax
- 0% tax on interest
- 0% tax on dividends
- Access your money whenever you want
- No need to declare on your tax return
- Inheritable ISA allowance – leave your ISA pot to your spouse/civil partner
- You can chose either a Stocks & Shares ISA or cash ISA, or split your allowance across both

THREE EASY WAYS TO BUY YOUR ISA

Simply call **020 7384 7300**

Visit our website **chelseafs.co.uk**

Send us a completed **application form**

THE VT CHELSEA MANAGED FUNDS

Our VT Chelsea Managed funds turned three this year and what a three years it has been. Over the next six pages we give you an insight into what we've been up to over that time.

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

We have four fully-managed funds. 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 regularly see new managers and we will replace funds where we find a better alternative.

THREE IS THE MANAGED NUMBER

DARIUS MCDERMOTT

Managing Director,
Chelsea

With more than five decades worth of collective investment research and fund selection expertise, running money for clients always seemed a logical extension of our business - and in 2017 we launched our four-strong range of managed funds with the confidence we could deliver something unique for them.

It's been a fascinating and enjoyable experience for us. The first thing that comes to mind is that running money is a very different skill set from simply selecting a basket of funds and leaving them in your portfolio for the long term.

I'd hark back to the Global Financial Crisis of 2008 to prove my point. When markets were falling heavily, I simply topped up my investments in the riskiest areas I could find – knowing that over the long term they would bounce back. When money is being managed, you cannot just do that – the client is at the epicentre of your thoughts and you have to think about portfolio construction and what would happen if these challenging markets persisted for a prolonged period of time.

The past three years have been a rollercoaster ride for us as we've seen a bit of everything in markets. The majority of that time has seen us navigate a late cycle scenario where equities and bonds both looked expensive to very expensive. Global markets seemed remarkably resilient, grinding upwards no matter what challenge was presented to them.

That environment resulted in us being more cautious than perhaps we would've liked to have been, particularly in areas like US equities and global smaller companies. That caution was with good reason, but no-one could've predicted a black swan event like Covid-19 and the record market falls we saw in February and March 2020.

One area we've thrived in during the life of these funds is using specialist investment trusts. It has allowed us to give investors access to different areas and sectors which have not traditionally been available to them. It's also been enjoyable for us to research new areas like renewables, social housing and care homes. They've been a huge boon to our performance.

However, the sell-off was a challenge, particularly in regard to these specialist trusts as it showed us we can be as clever as we want with portfolio construction and asset correlation – yet sometimes the market will just behave completely irrationally.

These events don't happen for very long, but logic seems to go out of the window and the price of numerous assets can be completely different from their true underlying value. That was the case with our investment trusts, the result being that our funds were affected a little bit more than our peers. But we kept our heads during this period and actually added to these vehicles as our research told us to back the strong fundamentals - the result being some of those assets have bounced back as much as 100% in the subsequent rally.

Patience has been key throughout the life of these funds. A good example would be investing in gold, where for the first two and a half years it was our worst-performing investment. However, the position was added to throughout that period and our conviction has come through in recent months. It's a similar case with our overweight in India – a part of the world where we expect big returns in the future.

WHAT DOES THE FUTURE HOLD?

We are now in the deepest global recession for 100 years but there are other things going on which we've seen before, such as huge global stimulus. The big question for investors is where to invest now. Returns on cash are negligible, government bonds are yielding nothing, and interest rates are low.

We're in a completely new investment cycle and while equities look volatile – you need to focus on the long term. The role of a professional investor has never been more important and that re-enforces our experience over the past three years. You have to hold your nerve when you think your thesis is correct but the market is going against you, but you also need the flexibility to re-assess your position and recognise that if the situation in markets has changed you have to change with it – there is no room for stubbornness.

We've been immensely proud of our performance thus far, but the hard work has only just begun, and we look forward to consistently delivering outperformance for many more years.

2020 – CRISIS DIARY

The coronavirus has changed the world as we know it, but in the midst of this unprecedented uncertainty we found a new way of working to meet these challenges and continue to deliver for our clients. Below is a summary of our actions over the past few months.

JANUARY AND FEBRUARY 2020 – THE CALM BEFORE THE STORM

Despite the first outbreak taking place in December 2019, the first few weeks of 2020 seemed to be a continuation of what we'd seen before. We were surprised markets were not pricing in the impact of contagion on a global scale. Many of our conversations as a team focused on us being cautious and we did make some moves in the lead up to the sell-off.

FEBRUARY 19 – THE SELL-OFF BEGINS

Despite just a handful of cases in the UK, panic started setting in across global markets but nothing prepared us for what we were about to see. The first thing the funds did was to sell a number of assets which had had minimal falls – like an absolute return fund and a couple of our specialist trusts. This allowed the purchase of other positions which had fallen to attractive levels.

MARCH 9 – HOLDING OUR NERVE AS THE FTSE 100 FALLS 10% AMID WIDESPREAD PANIC

The FTSE 100 suffered its second biggest one-day fall in the history of the index on March 9, and the worst day since 1987. The lesson, from our experience, is that no two falls are the same. Speed was the key this time, as markets fell 30% in a few weeks. Crucially, this sell-off was indiscriminate; even defensive specialist investment trusts linked to wind turbines and solar panels fell faster than markets.

This was when we had to hold our nerve. Assets were sold one day and repurchased three days later as they'd fallen another 20%. Although it was understandable why leisure and travel companies were being sold off, we couldn't envisage everything falling so rapidly in the flight to safety – we were reminded that when markets are extremely volatile all assets become correlated.

MARCH 16 – WORKING FROM HOME AS WE MANAGE OUR PORTFOLIOS VIA ZOOM

The office shut one week ahead of lockdown. The move to remote working came at the most challenging time for us as we looked to navigate this volatility. Zoom meetings quickly became the norm.

We'd typically dedicate half a day each week to review portfolio construction - at the height of the crisis we were spending six hours a day on Zoom, forensically examining everything from asset allocation to income diversification. We also held multiple meetings with fund managers each day to understand the challenges they were facing and their outlook on markets.

MARCH 19/20 – MARKETS BOTTOM AND START TO REBOUND

In an emergency move, the Bank of England cut interest rates to 0.1%, the lowest rate in history. At this point the liquidity squeeze was intense on our portfolios, but we believed we were well placed. March 23 was an inflection point for us as we felt it was time to start investing, rather than raising cash.

Our views in the face of this volatility also began to pay off. This included our long-term holding in gold which had, until recently, underperformed, while some of our investment trust positions rebounded to record highs.

APRIL AND EARLY SUMMER

Markets remained volatile and were trading on news stories. Our conviction in our positions meant we outperformed the bouncing markets, despite remaining cautious and retaining high cash levels.

As markets began to trade in a range, we continued to search for areas that were still undervalued, whilst taking profit in areas that had bounced.

LOOKING AHEAD

While financial markets have largely recovered, there is sure to be a big fallout from Covid-19 as global growth drops and established trends, like technology, accelerate.

In an uncertain world we won't pretend to know what's around the corner or what the next crisis will be, but what we do know is that we will be here putting all our efforts into monotoring your investments, doing our best to protect your hard-earned savings.

OUR FIGHT TO PRESERVE YOUR INCOME

Whether it's for support in retirement, to boost household earnings or a contributor to total returns, income investing has always been an essential pillar in an investor's portfolio.

Since the launch of the VT Chelsea Monthly Income fund in June 2017, our aim has been to help investors meet those goals at a time when bank and building society accounts are yielding next to nothing.

Barclays' annual study demonstrates just how important reinvesting dividends is to long-term returns. An investment of £100 in UK shares in 1899 would have been worth only £173 in real terms at the end of 2018, based on capital growth in the Barclays UK Equity Index alone. If, however, all the dividends had been reinvested, the total value of the portfolio would have soared to £30,776 over the same period.

We've previously used the jigsaw analogy to explain how we build our income portfolio - all the pieces have to be in place for the picture to come together. Assets will yield differently at different times, so we will strategically combine diverse sources of income to target a high and resilient yield, year in, year out.

2020 has seen a re-jig for a few of those pieces as the pandemic has brought huge challenges for income investors – with cuts in dividends across the board. The UK has seen dividends cut by 57% in the second quarter of 2020, as pay-outs to shareholders fell by £22bn on a year-on-year basis. According to one estimate, the best-case scenario will see dividends fall by almost 40% in 2020.

These cuts have been indiscriminate across the UK stock market – the biggest story being oil company Shell cutting its dividend for the first time since World War 2. As a result, many income funds have seen their dividends slashed – at a time when investors have been crying out for returns.

An aspiration has always been to provide a high monthly income (at least 4%) which can grow with inflation, whilst preserving capital. We make eleven even monthly payments and one final payment at the end of the year when any remaining income is paid out.

Whilst others have been resigned to cutting their dividends, we have fought harder to find solutions to the puzzle and preserve the level of income on which our clients depend. This process sees us model the income years in advance for the whole fund – while we talk about the composition of the portfolio on a daily basis.

WHAT HAVE WE DONE TO HELP PRESERVE YOUR DIVIDEND?

Flexibility has been essential in these uncertain times, with no one able to guess what is coming round the corner for markets. Our flexibility comes from our ability to invest both globally and in different asset classes. The portfolio is made up of income from lots of different sources to avoid being reliant on any one area. So when, for example, UK dividends were slashed, we had other parts of the portfolio we could rely on for income.

The fund has also made use of specialist investment trusts – an area we've increased our experience of in the past few years. This covers the likes of renewable energy, supermarkets, infrastructure, social housing and secured debt. These have been a great boost to our returns while also offering high but stable dividend returns.

We have slightly tilted the portfolio towards bonds. Unlike with equities - where dividends are optional - bond payments are giving a greater security of income. For example, we have reduced some of our equity funds and replaced them with bond funds.

We've also added to some high yield debt positions which suffered sell-offs at the height of the crisis, particularly some of our investment trusts which we felt were priced irrationally. In some cases, we were able to buy these at very high yields when they were trading on large discounts.

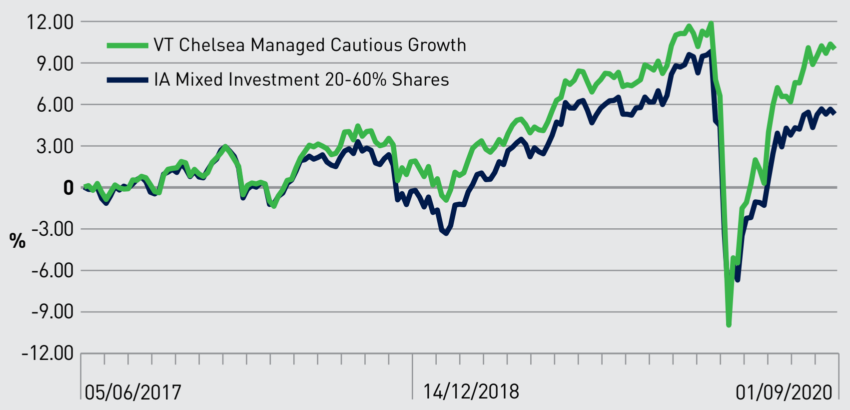
For now, we are working harder than ever to preserve your income. It's a full-time job but we are ready to rise to the challenge. That's not to say we are not also focusing on the future – we are leaving no stone unturned in making sure we deliver the best possible outcomes for our clients.

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 – 01/09/2020, total returns in sterling

KEY FACTS

Ongoing charges figure: 1.26%

Payment dates: 30 June, 31 December

Indicated yield: 1.84%

Performance since launch: 9.98%

Sector average: 5.28%

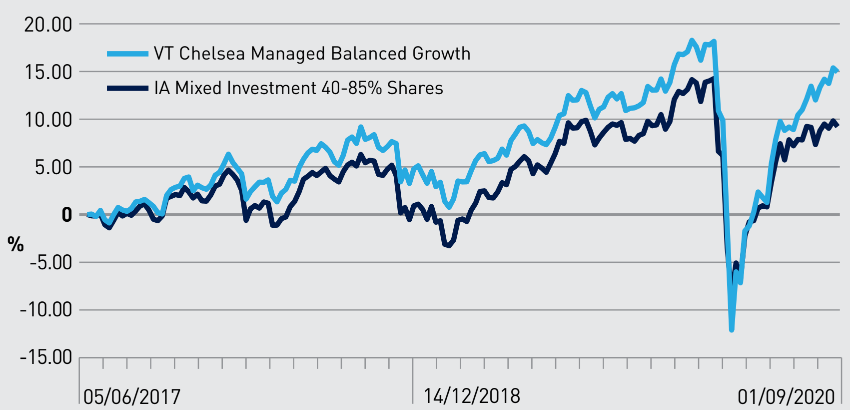
Chelsea Risk Rating: 4

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 – 01/09/2020, total returns in sterling

KEY FACTS

Ongoing charges figure: 1.07%

Indicated yield: N/A

Performance since launch: 14.97%

Sector average: 9.23%

Chelsea Risk Rating: 5.5

WHAT ARE THE RISKS?

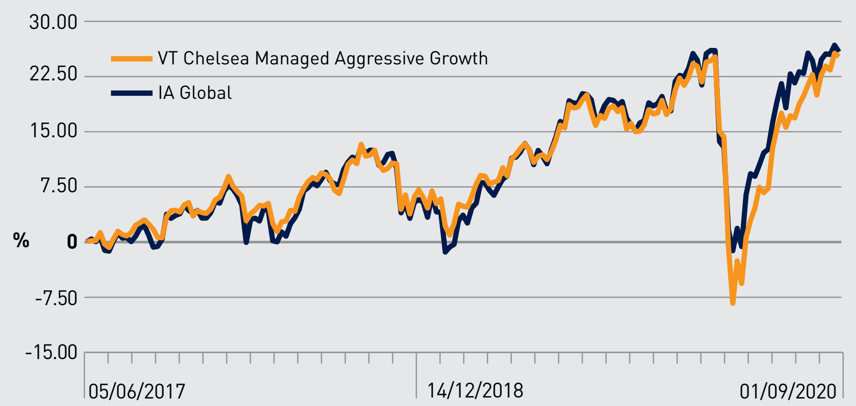
It is important to understand that investments can go down as well as up in value. You may not get back the amount originally invested and income payments are not guaranteed.

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 – 01/09/2020, total returns in sterling

KEY FACTS

Ongoing charges figure:
1.11%

Indicated yield:
N/A

Performance since launch:
25.15%

Sector average:
25.78%

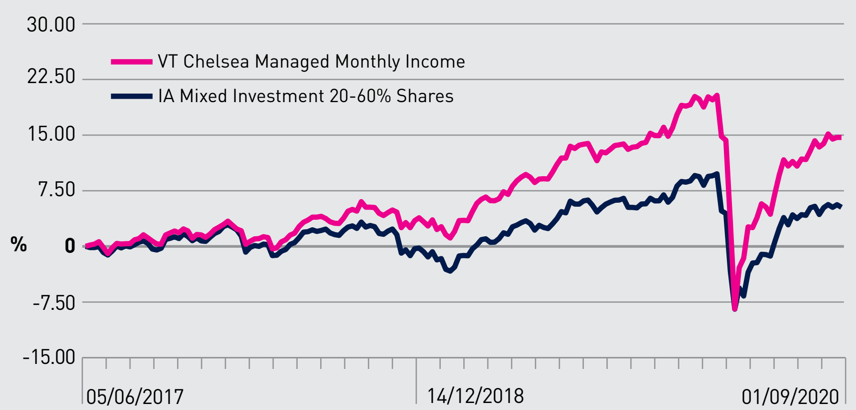
Chelsea Risk Rating:
7

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 – 01/09/2020, total returns in sterling

KEY FACTS

Ongoing charges figure:
0.99%

Payment dates:
Monthly

Indicated yield:
5.12%

Performance since launch:
14.73%

Sector average:
5.28%

Chelsea Risk Rating:
4.5

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

Indicated yields and OCFs correct as at 04/09/2020.
†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 has been running this fund since launch. 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	6.5
Annual Management Charge	0.63%#*
Ongoing Charges Figure (OCF)	0.67%†*
FundCalibre rating	ELITE
Morningstar rating	-
Yield	3.88%
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	0.27%
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 from its benchmark. For this reason, investors should expect performance to be different from the index.

Chelsea Risk Rating	6.5
Annual Management Charge	0.60%#
Ongoing Charges Figure (OCF)	0.65%†
FundCalibre rating	ELITE
Morningstar rating	BRONZE
Yield	1.99%
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, Anthony Cross and Julian Fosh, 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)	0.84%†
FundCalibre rating	ELITE
Morningstar rating	BRONZE
Yield	1.49%
Unit Type	ACC or INC

Marlborough 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	0.57%
Unit Type	INC

Marlborough UK Micro Cap Growth

This fund has one of the best track records in the industry. Veteran founder manager Giles Hargreaves is standing down, but handing over to long-term collaborators Guy Feld & Eustace Santa Barbara. The team are some of the best small-cap investors in the country and invest in a well-diversified portfolio of the companies at the bottom of the market, below £250m in size. They have a growth bias, looking for those which are leaders in their niche markets or can disrupt existing markets. These companies will be in a variety of different sectors and industries, creating a portfolio often over 200 names. The managers will let their success stories run, potentially even adding to them if there is still upside.

Chelsea Risk Rating	8
Annual Management Charge	0.75%#
Ongoing Charges Figure (OCF)	0.78%†
FundCalibre rating	ELITE
Morningstar rating	-
Yield	0.29%
Unit Type	ACC

MI Chelverton UK Equity Growth NEW ENTRY

Fund manager James Baker puts his extensive experience of investing in small and medium-sized businesses into practice with this fund, choosing to invest the majority of the portfolio in highly cash-generative smaller companies able to fund their own growth. The initial screening process considers all UK stocks below the FTSE 100, with the managers looking for: revenue growth; cash conversion; balance sheet strength; high gross margins and the ability for companies to fund themselves. Stocks must meet four out of the five criteria to pass the screen, leaving about 250 stocks for the team to analyse further. James is supported by co-manager Edward Booth.

Chelsea Risk Rating	7.5
Annual Management Charge	0.75%#
Ongoing Charges Figure (OCF)	0.87%†
FundCalibre rating	ELITE
Morningstar rating	-
Yield	1.17%
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 20-21.

Data sourced from FE Analytics for period up to 01/09/2020, as at 04/09/2020. Yields as at 04/09/2020. Charges and Morningstar ratings as at 04/09/2020.

* 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

BlackRock Continental European Income

Andreas Zoellinger manages this core European income fund which invests predominately in large-cap stocks. The fund is supported by the highly regarded BlackRock European team which is made up of 18 investment professionals. All members of the team, including fund managers, undertake fundamental research. Bottom-up research is key to the fund's performance. The fund has a preference for quality sustainable dividends with the potential for growth and inflation protection. The final portfolio has around 50 stocks. Income is paid in February, May, August and November.

Chelsea Risk Rating	7
Annual Management Charge	0.75%#
Ongoing Charges Figure (OCF)	0.92%†
FundCalibre rating	ELITE
Morningstar rating	-
Yield	2.37%
Unit Type	ACC or INC

Fidelity Global Dividend

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)	0.93%†
FundCalibre rating	ELITE
Morningstar rating	SILVER
Yield	3.61%
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	2.47%
Unit Type	ACC or INC

Man GLG Income

Manager Henry Dixon 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	6.5
Annual Management Charge	0.75%#
Ongoing Charges Figure (OCF)	0.90%†
FundCalibre rating	ELITE
Morningstar rating	BRONZE
Yield	6.28%
Unit Type	ACC or INC

Montanaro UK Income*** SPOTLIGHT

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)	0.38%†^
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. Carl has recently been joined on the fund by co-manager Alan Dobbie. Income is paid in June and December.

Chelsea Risk Rating	5
Annual Management Charge	0.65%#^
Ongoing Charges Figure (OCF)	0.68%†^
FundCalibre rating	ELITE
Morningstar rating	NEUTRAL
Yield	5.03%
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. Income is paid in February, May, August and November.

Chelsea Risk Rating	5
Annual Management Charge	0.90%#
Ongoing Charges Figure (OCF)	0.87%†
FundCalibre rating	ELITE
Morningstar rating	-
Yield	3.10%
Unit Type	ACC or INC

All Core Selection funds are available at 0% initial charge

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

Legg Mason IF Martin Currie European Unconstrained

As the name suggests, this is an unconstrained, high-conviction portfolio which the experienced manager, Zehrid Osmani, runs with a long-term, 5-10 year time horizon. He looks for medium and large, quality growth companies, with strong balance sheets and good capital allocation, which are experiencing secular growth, which have a strong corporate ethos and are reasonably valued. Meeting with management is a key step in the process for Zehrid. The portfolio is concentrated, with around 20-40 stocks, and turnover is low.

Chelsea Risk Rating	7.5
Annual Management Charge	0.75%#
Ongoing Charges Figure (OCF)	1.05%†
FundCalibre rating	RADAR
Morningstar rating	-
Yield	0.18%
Unit Type	ACC or INC

LF Miton European Opportunities

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)	0.84%†
FundCalibre rating	ELITE
Morningstar rating	-
Yield	0.09%
Unit Type	ACC

Marlborough European Multi-Cap

Manager David Walton 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)	0.83%†
FundCalibre rating	ELITE
Morningstar rating	-
Yield	1.76%
Unit Type	INC

Threadneedle European Select

Managers David Dudding and Ben Moore focus on buying companies with a competitive advantage, high quality defensible earnings and consistent growth rates. Their approach is growth orientated, but other factors, such as brand loyalty or pricing power, are also key. Consequently, they favour certain sectors and may choose not to invest in some sectors altogether. They like 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	NEUTRAL
Yield	0.80%
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 where 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 or INC

Fidelity Index US

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	1.41%
Unit Type	ACC or INC

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)	0.90%†
FundCalibre rating	ELITE
Morningstar rating	-
Yield	0.25%
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 20-21.
Data sourced from FE Analytics for period up to 01/09/2020, as at 04/09/2020. Yields as at 04/09/2020. Charges and Morningstar ratings as at 04/09/2020.

* 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

Baillie Gifford Japanese NEW ENTRY

Lead manager Matthew Brett is well supported in the running of this sector stalwart by a very strong Japanese equity team. The research process is built around five specific factors; a company's competitive advantage, industry, financial strength, how well it is run and its valuation. The team's best ideas are discussed and Matthew will then have the final say on what is added to the portfolio. Being growth investors, the team have a natural bias towards medium-sized companies and they favour Japanese businesses that deliver consistently strong returns to shareholders. The portfolio will hold between 45 and 65 stocks.

Chelsea Risk Rating	10
Annual Management Charge	0.60%[#]
Ongoing Charges Figure (OCF)	0.62%[†]
FundCalibre rating	ELITE
Morningstar rating	-
Yield	1.30%
Unit Type	ACC or INC

Fidelity Asia Pacific Opportunities

Singapore-based Anthony Srom manages this high conviction fund of around 30 stocks. Higher conviction should not mean higher risk and the portfolio is carefully constructed to ensure good diversification. Stock selection is based on three factors: fundamentals, sentiment and valuation. Anthony has a contrarian instinct and understanding other investors sentiment is a key factor in his decision making. Alongside the company specifics, Anthony believes it is important to consider the prospects for the industry in which a company operates. The fund invests across the market-cap spectrum but around two thirds of the holdings are in large caps.

Chelsea Risk Rating	8
Annual Management Charge	0.75%[#]
Ongoing Charges Figure (OCF)	0.90%[†]
FundCalibre rating	ELITE
Morningstar rating	-
Yield	-
Unit Type	ACC

Invesco China Equity (previously known as 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. He is joined on the fund by Lorraine Kuo as co-manager, as well as being supported by a series of regional offices across China.

Chelsea Risk Rating	10
Annual Management Charge	0.89%[#]
Ongoing Charges Figure (OCF)	0.89%[†]
FundCalibre rating	ELITE
Morningstar rating	-
Yield	0.81%
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)	0.82%[†]
FundCalibre rating	-
Morningstar rating	BRONZE
Yield	0.27%
Unit Type	ACC or INC

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)	1.31%[†]
FundCalibre rating	-
Morningstar rating	-
Yield	-
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	0.85%
Unit Type	ACC or INC

T. Rowe Price Asian Opportunities Equity NEW ENTRY

Manager Eric Moffett has managed this fund since launch in May 2014. He invests across Asia ex-Japan in a concentrated portfolio of high-quality, established companies with leading market positions and good management teams. Portfolio turnover is low, with between 40-70 stocks, which are held for the long term. The focus on quality means that the fund has tended to perform well when times are tough, which is key in a more volatile market such as Asia.

Chelsea Risk Rating	8
Annual Management Charge	0.75%[#]
Ongoing Charges Figure (OCF)	0.92%[†]
FundCalibre rating	ELITE
Morningstar rating	BRONZE
Yield	-
Unit Type	ACC

All Core Selection funds are available at 0% initial charge

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

Manager Jeremy Podger 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 the 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	-
Unit Type	ACC

Fundsmith Equity SPOTLIGHT

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. These companies typically 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	0.44%
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 and with barriers to entry for competitors. 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)	0.68%†^
FundCalibre rating	ELITE
Morningstar rating	SILVER
Yield	-
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 60-80 growth stocks. He targets businesses with accelerating returns on capital over the next 12 to 24 months. The fund currently has 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)	0.63%†^
FundCalibre rating	ELITE
Morningstar rating	-
Yield	-
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	3.60%
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	2.10%
Unit Type	ACC or INC

Invesco Monthly Income Plus

This strategic bond fund gives co-managers Paul Causer and Paul Read 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	4
Annual Management Charge	0.67%#
Ongoing Charges Figure (OCF)	0.67%†
FundCalibre rating	ELITE
Morningstar rating	SILVER
Yield	5.20%
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 20-21.
Data sourced from FE Analytics for period up to 01/09/2020, as at 04/09/2020. Yields as at 04/09/2020. Charges and Morningstar ratings as at 04/09/2020.

* 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.

FIXED INTEREST (cont)

Janus Henderson Strategic Bond

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)	0.68%†
FundCalibre rating	-
Morningstar rating	SILVER
Yield	3.60%
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)	0.73%†
FundCalibre rating	ELITE
Morningstar rating	SILVER
Yield	3.40%
Unit Type	ACC or INC

M&G Emerging Markets Bond

Another star of the highly-regarded M&G fixed income desk, is manager Claudia Calich, who is extremely knowledgeable about her asset class. With this fund, Claudia has the flexibility to invest across the whole emerging market bond spectrum. She can invest in both government and corporate bonds, denominated in local currencies or in US dollars ('hard' currency). Claudia pays considerable attention to the macroeconomic environment to determine the framework for the fund, before looking at the individual companies and governments to pick what she believes to be the best mix of bonds for this portfolio.

Chelsea Risk Rating	4.5
Annual Management Charge	0.75%#
Ongoing Charges Figure (OCF)	0.75%†
FundCalibre rating	ELITE
Morningstar rating	-
Yield	4.99%
Unit Type	ACC or INC

Nomura Global Dynamic Bond (Hedged) NEW ENTRY

With an unconstrained approach, Dickie Hodges utilises the full range of bond and derivative securities available to him, including government, corporate, emerging market and inflation-linked bonds. Using a blend of top-down and bottom-up stock selection, he aims to deliver a yield of around 3-6%, depending on market conditions. The team also target capital growth so will not increase the yield of the fund at the expense of capital. Dickie is extremely knowledgeable about bond securities and derivatives and uses this skillset and flexible mandate to exploit opportunities. The fund is a good option for all market conditions in terms of both yield and capital return.

Chelsea Risk Rating	4
Annual Management Charge	0.60%#
Ongoing Charges Figure (OCF)	0.71%†
FundCalibre rating	ELITE
Morningstar rating	-
Yield	-
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 10 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)	0.78%†
FundCalibre rating	ELITE
Morningstar rating	-
Yield	4.24%
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)	0.93%†*
FundCalibre rating	ELITE
Morningstar rating	NEUTRAL
Yield	0.12%
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)	0.77%†
FundCalibre rating	ELITE
Morningstar rating	-
Yield	0.82%
Unit Type	ACC or INC

All Core Selection funds are available at 0% initial charge

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

GUIDO DACIE-LOMBARDO

Co-manager,
Montanaro UK Income

MONTANARO UK INCOME

Elite Rated by FundCalibre

THE CHELSEA VIEW

This strong team have a high level of experience in small-cap investing and are solely focused on this area of the market, making this fund an interesting choice for investors keen to diversify their income stream.

After six years at Rothschild, where I advised European corporates on mergers & acquisitions, I joined Montanaro Asset Management in 2015 as a software analyst. In 2018 I started to work closely with Charles Montanaro as back-up manager to Montanaro UK Income, and I became co-manager on July 1st, 2020.

The Montanaro UK Income fund was launched in 2006 and is one of only a handful of UK equity income funds to focus exclusively on small and medium-sized businesses ("small & mid-caps"). There are numerous benefits to investing in small & mid-caps for income, including:

- **1. Diversification** – we do not invest in the usual names such as Shell, HSBC & GlaxoSmithKline;
- **2. Better Dividend Growth** – small & mid-caps tend to generate higher earnings growth than their larger cousins. This often translates into better growth in dividends; and
- **3. Higher Total Returns** – high earnings growth typically leads to better share price performance. Indeed, £1 invested in the UK SmallCap Index in 1955 would now be worth just shy of £8,000. Had you chosen the FTSE All Share Index instead (mainly large-cap), you would only have £1,200 to your name, nearly seven times less!

KEEPING IT SIMPLE

Our investment style can be summarised as "quality growth". We aim to buy the best companies we can find and hold them for as long as possible. We do not use derivatives, we do not hedge, we do nothing clever or complicated. In terms of quality, we look for market leaders operating in niche markets with a relatively benign competitive environment. We like focused businesses whose products are differentiated and add value to their customers. We like companies that have a diversified customer base and good order visibility. From a financial perspective, we will only invest in profitable companies, we look for businesses that are generating high and sustainable returns on capital, we like companies that are cash generative and able to support dividend payments, and we ensure our investments have strong balance sheets. Growth is also important to us, so we look for businesses that are benefitting from long-term structural growth drivers. Above all, we aim to find good management teams we like and trust.

Big Yellow is an example of a high quality company that we have held for over a decade. Big Yellow owns and operates self-storage facilities across the UK. It boasts the best brand awareness in the industry, its revenue comes from a highly diverse customer base and it has low on-going expense requirements, enabling it to generate high profit margins. Furthermore, its portfolio would be difficult to replicate today, as the supply of new self-storage facilities coming onto the market is limited due to planning restrictions, the lack of suitable locations and the use of existing land for alternative uses such as residential development. Demand for its services is driven by the "Three Ds" – Divorce, Death and Dislocation (moving house). This has led to increased occupancy over time which, combined with price increases, has resulted in earnings and dividends growing by 9% per annum over the past five years.

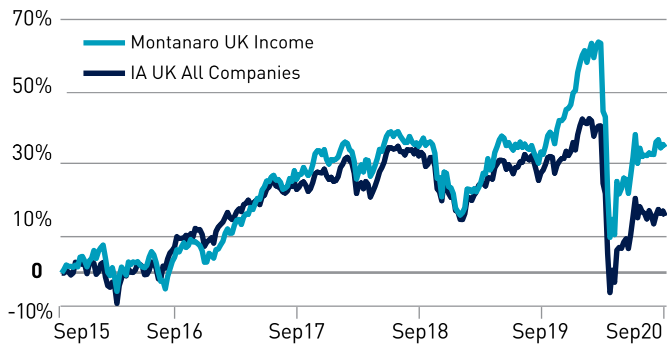
FOCUSING ON QUALITY

Is now a good time to invest in our fund? No-one knows what stock markets will do in the short term – and there are plenty of near-term uncertainties as the world grapples with the Covid pandemic. The recovery is likely to be bumpy, so we think a focus on high quality companies (and balance sheet strength in particular), will be important as government assistance fades.

DIVERSIFICATION FOR INCOME

For investors looking for income from their portfolio, we do believe that small & mid-caps make sense. Relying on a handful of large blue chip companies for your hard-earned retirement income can be risky. If BP, Tesco and Barclays can teach us anything, it is that big is not always beautiful as each have cut their dividend recently. We think it makes sense to diversify.

FUND PERFORMANCE OVER 5 YEARS



Source: FE Analytics, 01 September 2015 to 01 September 2020, total returns, net of fees, in sterling.

CORE SELECTION SPOTLIGHT

FUNDSMITH EQUITY

Elite Rated by FundCalibre

TERRY SMITH

Fund Manager, **Fundsmith Equity**

THE CHELSEA VIEW

Terry Smith has become one of the country's most prominent investors since his fund's launch in 2010. The back-to-basics strategy of finding easy to understand businesses without overpaying for them has proved a hugely successful and resilient approach.

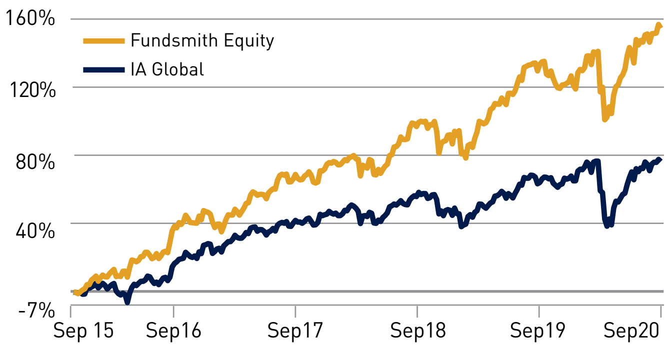
I started work in the financial services industry in the mid-1970s. I have been CEO of two public companies involved in investment banking, wealth management and money broking. It is unusual for a fund manager to have run businesses and I think it has made me a better investor. I started Fundsmith 10 years ago.

Our investment process at Fundsmith has three simple steps:

1. Seek to only invest in good companies
2. Try not to overpay for the shares
3. Once we have assembled a portfolio based upon these first two principles, we try to do nothing

Doesn't every fund manager only seek to invest in good companies? No, most fund managers will invest in a range of companies, often hugging the index, many of which are definitely not good businesses. Why is this important? Equities have a unique feature as an asset class - a portion of the net profit which belongs to investors is retained by a company and invested in its business.

FUND PERFORMANCE OVER 5 YEARS



Source: FE Analytics, 01 September 2015 to 01 September 2020, total returns, net of fees, in sterling.

On average about half of company earnings are retained. These retained profits generate a return equal to the company's ongoing return on capital (return on capital is the company's profits divided by the sum of its shareholders' funds and debt - its capital).

GOOD COMPANIES, GOOD RETURNS

When profits are retained by a company with a strong business, they generate high rates of return. The return on capital of the Fundsmith portfolio companies has averaged close to 30% pa, which is nearly twice the return on capital of companies in the S&P Index or the FTSE 100 (which includes many of the high return Fundsmith-owned companies). This return on retained profits or cash flow is what enables equities to compound in value over time. No other asset class has the advantage. Once you have recognised this advantage why wouldn't you seek to maximise it by investing in those companies with the highest sustainable return on capital? It is better than investing in companies which make an inadequate return on capital, like the airline industry.

Good companies also need a source of growth in order to invest these retained earnings. There are many potential sources of this: the rise of the consumer class in the developing world; premiumisation of consumption (buying better and more expensive products) in the developed world; e-commerce and digitalisation of work, payments, communications and entertainment; and healthcare are a few examples.

If you are a long-term investor, investing in good companies which can produce these compound returns is the most important consideration. That is not to say that we ignore valuation - far from it. But if you invest in a great company, like L'Oreal, the world's leading cosmetics business, this compounding has a far bigger impact on your investment returns than trying to buy lowly-rated shares. If you had bought L'Oreal shares in 1973 and held them until the end of 2019, you could have paid a multiple of 281 times its net profits (a PE of 281) at the outset and still outperformed the MSCI World Index over the period. Such is the power of compounding in a good business. Valuation is a secondary consideration.

Finally, if you have managed to assemble a portfolio of great companies try not to engage in any dealing activity. Dealing costs money and is a drag on investors' returns.

The Fundsmith portfolio is always fully invested in shares of companies which we consider to be good or great businesses. The sectors which dominate the portfolio are consumer goods (your everyday necessities and luxuries); medical equipment, devices and drugs; and technology. We invest globally but the largest country of listing of our companies is the United States, because that is where many of the best companies in these sectors are based. However, many of them have significant revenues outside the US and in the developing world.

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	-4.68	54	-10.42	147	8.50	161	111.18	51	3.46	682.0
AXA Framlington UK Select Opportunities		6	-7.85	84	0.19	51	16.15	115	102.75	65	1.97	1043.2
BlackRock UK NEW ENTRY		6	-1.34	41	14.86	18	49.66	17	118.65	44	1.56	510.2
Franklin UK Managers Focus		7	-5.91	65	-2.61	69	20.62	67	160.04	24	3.23	296.2
JOHCM UK Dynamic		6.5	-24.56	241	-22.39	217	4.64	179	87.90	86	3.88	1340.0
Jupiter UK Special Situations		6	-19.29	218	-17.59	201	7.69	165	89.97	79	2.90	1608.2
LF Lindsell Train UK Equity		6.5	-10.72	120	14.79	20	62.71	8	242.25	5	1.99	6218.3
Liontrust Special Situations^		6	-1.80	44	14.24	22	58.54	11	235.48	6	1.49	5632.1
Marlborough Multi-Cap Growth		7	7.51	11	8.77	29	62.89	7	214.71	9	0.57	255.5
MI Chelverton UK Equity Growth		7.5	11.93	3	31.71	2	108.63	1	-	-	1.17	722.3
Ninety One UK Alpha		6	-9.09	100	-3.45	74	21.84	64	131.97	32	2.65	2267.3
Schroder Recovery		7.5	-21.84	234	-23.30	220	-0.88	195	72.91	119	3.38	740.8
Slater Growth		7	6.06	17	20.49	12	52.57	15	260.67	3	0.00	595.4
VT Downing Unique Opportunities NEW ENTRY		7	-	-	-	-	-	-	-	-	-	7.2
SECTOR AVERAGE			**-9.87**	**246**	**-7.54**	**237**	**15.71**	**223**	**83.78**	**195**		
UK EQUITY INCOME												
Artemis Income		5	-12.74	33	-7.66	16	16.92	16	92.44	14	4.62	4190.1
JOHCM UK Equity Income		6.5	-21.46	82	-25.46	80	-3.85	64	72.07	35	5.39	1540.0
LF Gresham House UK Multi Cap Income		7.5	6.34	2	20.09	1	-	-	-	-	3.47	70.8
Man GLG Income		6.5	-13.83	38	-11.16	31	18.17	11	90.58	16	6.28	1027.5
Marlborough Multi Cap Income		7	-9.12	18	-8.52	21	3.45	38	-	-	4.73	1091.7
Montanaro UK Income*** SPOTLIGHT		7.5	1.43	29 / 246	4.25	39 / 237	34.61	34 / 223	168.23	20 / 195	3.60	624.0
Rathbone Income		5	-16.37	57	-14.54	43	5.97	34	92.81	13	5.03	780.9
Royal London UK Equity Income		5.5	-16.99	63	-12.10	35	12.83	23	117.03	5	4.79	1794.9
TB Evenlode Income***		5	-9.26	101 / 246	15.84	15 / 237	61.82	9 / 223	197.90	12 / 195	3.10	3687.0
Threadneedle UK Equity Alpha Income		5.5	-8.27	12	-6.13	15	14.53	20	116.71	6	4.84	288.6
SECTOR AVERAGE			**-13.56**	**87**	**-13.88**	**84**	**5.66**	**76**	**72.52**	**64**		
UK SMALLER COMPANIES												
AXA Framlington UK Smaller Companies		8	2.65	27	4.52	26	44.10	21	302.56	7	0.43	185.4
ES R&M UK Equity Smaller Companies		8	14.47	7	10.39	16	50.45	15	345.83	4	1.52	295.5
LF Gresham House UK Micro Cap		8	8.81	14	21.13	8	61.74	11	359.14	2	0.27	255.1
Liontrust UK Micro Cap		8	16.28	5	36.43	1	-	-	-	-	0.14	96.1
Marlborough Special Situations		7.5	9.75	13	9.17	18	54.04	14	283.22	9	0.35	1235.3
Marlborough UK Micro-Cap Growth		8	12.34	10	16.09	13	70.04	9	343.74	5	0.29	1114.9
TB Amati UK Smaller Companies^		8	10.79	12	24.07	7	96.83	2	332.65	6	1.10	426.0
SECTOR AVERAGE			**2.44**	**51**	**3.60**	**48**	**39.10**	**46**	**188.49**	**44**		
STERLING CORPORATE BOND												
Artemis Corporate Bond		2.5	-	-	-	-	-	-	-	-	2.38	392.5
BlackRock Corporate Bond		2.5	3.93	24	12.78	26	31.09	24	77.66	14	2.10	1238.7
Rathbone Ethical Bond NEW ENTRY		2.5	5.65	7	14.89	14	34.44	12	92.66	8	3.60	1756.4
Royal London Corporate Bond		2.5	2.92	56	12.28	34	30.86	26	79.16	12	3.00	1410.5
TwentyFour Corporate Bond*		2.5	3.88	28	11.58	45	28.51	40	-	-	3.91	1658.5
SECTOR AVERAGE			**3.41**	**98**	**11.40**	**94**	**27.40**	**84**	**61.26**	**63**		
STERLING HIGH YIELD BOND												
Baillie Gifford High Yield Bond		4	1.31	18	10.46	3	27.81	4	87.37	1	4.40	817.00
Man GLG High Yield Opportunities NEW ENTRY		4	7.62	1	-	-	-	-	-	-	-	86.20
Royal London Short Duration Global High Yield Bond^		2.5	-0.76	37	4.05	31	11.52	31	-	-	4.23	1503.10
SECTOR AVERAGE			**0.81**	**42**	**7.12**	**35**	**21.36**	**32**	**59.56**	**21**		
STERLING STRATEGIC BOND												
Artemis Strategic Bond		3	3.20	46	9.95	39	25.78	24	69.68	16	2.36	1768.0
Baillie Gifford Strategic Bond^		3.5	1.57	69	12.20	20	31.39	8	89.15	3	3.60	1306.8
GAM Star Credit Opportunities*		4	3.62	38	8.40	55	33.10	4	-	-	4.20	716.7
Invesco Monthly Income Plus		4	4.40	27	7.92	59	23.17	37	70.92	14	5.20	2292.4
Janus Henderson Strategic Bond^		3	5.37	18	16.17	9	28.30	18	72.76	11	3.60	3143.4
Jupiter Strategic Bond		2.5	2.84	55	12.05	22	24.35	34	74.24	9	3.40	4324.4
Man GLG Strategic Bond		3.5	-3.63	90	-3.03	83	5.79	75	-	-	3.57	92.8
Nomura Global Dynamic Bond (Hedged)*		4	8.86	10	21.79	2	31.39	9	-	-	-	1468.5
TwentyFour Dynamic Bond		3.5	3.60	40	10.28	37	22.85	39	73.59	10	4.24	1948.9
SECTOR AVERAGE			**3.78**	**94**	**10.27**	**84**	**23.07**	**76**	**55.75**	**48**		
TARGETED ABSOLUTE RETURN **												
BlackRock UK Absolute Alpha		4.5	0.20	-	2.43	-	8.14	-	25.73	-	0.12	255.7
Janus Henderson UK Absolute Return		4	4.23	-	4.92	-	13.18	-	57.35	-	-	1400.7
SVS Church House Tenax Absolute Return Strategies		4	1.61	-	3.01	-	14.95	-	40.40	-	0.82	495.0
SECTOR AVERAGE			**0.17**	**-**	**0.86**	**-**	**5.83**	**-**	**24.02**	**-**		
EUROPE EXCLUDING UK												
Barings Europe Select Trust***		8	2.08	20 / 25	9.70	10 / 24	78.80	8 / 20	237.79	8 / 17	1.40	1404.1
BlackRock Continental European Income		7	4.47	39	10.28	35	60.62	30	-	-	2.37	1664.7
BlackRock European Dynamic^		7	16.39	12	28.01	11	95.49	5	257.60	3	0.59	4445.4
Legg Mason IF Martin Currie European Unconstrained		7.5	15.29	15	28.84	9	76.29	16	158.61	20	0.18	46.2
LF Miton European Opportunities		7.5	27.22	3	61.54	1	-	-	-	-	0.09	1795.2
Marlborough European Multi-Cap		8	13.86	16	9.27	37	105.84	2	201.39	8	1.76	227.0
Threadneedle European Select		7	9.06	21	22.11	16	77.18	14	213.13	7	0.80	1745.8
TM CRUX European Special Situations		7	-2.21	88	-2.76	84	52.84	50	161.95	16	1.70	1265.6
SECTOR AVERAGE			**2.55**	**119**	**4.73**	**109**	**51.22**	**100**	**127.78**	**77**		

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

	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	Elite Radar	7	7.51	82	44.14	43	136.76	20	-	-	-	437.9
(C) AXA Framlington American Growth	Elite Rating	7	23.32	22	75.27	15	148.11	15	428.28	11	-	730.6
Baillie Gifford American^ NEW ENTRY		7.5	80.67	1	177.21	1	377.25	1	823.91	2	-	5126.4
Brown Advisory US Flexible Equity^*	Elite Radar	7	15.59	52 / 222	54.95	44 / 192	131.98	37 / 171	-	-	1.02	375.0
(C) Fidelity Index US		7	9.50	63	43.01	47	124.72	32	-	-	1.41	2155.0
(C) LF Miton US Opportunities	Elite Rating	7	8.89	70	40.32	61	110.43	57	-	-	0.25	806.1
SECTOR AVERAGE			**8.67**	**147**	**37.54**	**138**	**101.88**	**124**	**282.71**	**86**		
JAPAN												
(C) Baillie Gifford Japanese^	Elite Rating	10	5.02	28	16.43	20	94.47	8	237.64	3	1.30	3053.5
First Sentier Japan Focus NEW ENTRY	Elite Rating	10	18.37	5	43.84	5	-	-	-	-	0.03	133.3
(C) JPM Japan		10	17.34	6	45.58	3	119.59	5	266.43	2	0.27	1568.6
Jupiter Japan Income		9.5	0.21	37	18.00	16	72.76	17	144.59	15	2.40	671.4
Legg Mason IF Japan Equity		10	19.22	4	45.87	1	183.20	1	865.81	1	-	1083.6
SECTOR AVERAGE			**2.50**	**72**	**9.07**	**69**	**60.03**	**66**	**129.47**	**51**		
ASIA PACIFIC EXCLUDING JAPAN												
(C) Fidelity Asia Pacific Opportunities	Elite Rating	8	10.49	36	36.07	7	141.37	4	-	-	-	805.0
Fidelity Asian Dividend	Elite Radar	7.5	-10.41	103	9.93	45	80.37	49	-	-	4.51	80.0
First Sentier Greater China Growth ***	Elite Rating	10	17.71	29	40.26	12	138.32	14	208.89	6	0.89	573.5
Guinness Asian Equity Income	Elite Rating	8	-4.23	87	-2.42	93	64.35	73	-	-	3.45	135.1
Invesco Asian^	Elite Rating	8	4.90	61	5.44	67	107.61	23	147.05	12	1.74	1454.5
(C) Invesco China Equity^***	Elite Rating	10	26.45	16	42.83	9	142.13	13	227.89	4	0.81	414.0
Matthews Asia Pacific Tiger	Elite Rating	8	7.52	52	17.37	28	91.55	37	127.95	23	-	364.0
Schroder Asian Income	Elite Rating	7.5	-2.66	82	4.01	74	69.65	67	127.84	24	3.93	1213.6
(C) Stewart Investors Asia Pacific Leaders	Elite Rating	7.5	2.74	-	17.68	-	68.44	-	147.76	-	0.85	6326.9
(C) T. Rowe Price Asian Opportunities Equity NEW ENTRY	Elite Rating	8	15,18	22	31,78	10	123,82	12	-	-	-	158,9
SECTOR AVERAGE			**6.75**	**104**	**12.01**	**100**	**85.05**	**92**	**108.94**	**64**		
GLOBAL EMERGING MARKETS**												
Alquity Indian Subcontinent^*		10	-10.93	-	-25.70	-	40.10	-	-	-	-	17.5
Aubrey Global Emerging Markets Opportunities^ NEW ENTRY	Elite Rating	10	31.73	3	41.69	1	139.19	-	-	-	-	111.9
GS India Equity Portfolio*		10	0.14	-	-5.45	-	54.96	-	131.55	-	-	1069.4
(C) RWC Global Emerging Markets		10	9.62	22	-0.30	64	-	-	-	-	-	872.5
SECTOR AVERAGE			**1.59**	**113**	**1.2**	**102**	**66.92**	**-**	**53.98**	**-**		
GLOBAL												
Baillie Gifford Global Discovery^	Elite Rating	8.5	43.09	4	103.53	3	198.07	3	594.21	1	-	1427.5
(C) Fidelity Global Special Situations	Elite Rating	7	9.32	102	28.02	102	101.54	52	232.25	37	-	2722.8
(C) Fundsmith Equity SPOTLIGHT	Elite Rating	6	8.47	113	49.84	32	155.99	7	-	-	0.44	21489.1
Ninety One Global Special Situations	Elite Radar	7	-22.93	326	-22.19	287	20.58	254	85.06	165	1.38	138.6
Pictet Global Environmental Opportunities^*	Elite Rating	7.5	16.43	51	37.89	70	121.70	29	-	-	-	3299.5
(C) Rathbone Global Opportunities	Elite Rating	6.5	21.63	33	58.12	18	134.81	15	334.14	7	-	2780.7
(C) T. Rowe Price Global Focused Growth Equity*	Elite Rating	7.5	32.04	13	74.53	11	185.59	5	368.43	4	-	1983.6
SECTOR AVERAGE			**6.15**	**330**	**23.13**	**290**	**76.52**	**257**	**161.36**	**171**		
GLOBAL EQUITY INCOME												
(C) Fidelity Global Dividend	Elite Rating	6	-0.69	18	20.56	11	76.86	3	-	-	3.61	1743.0
Fidelity Global Enhanced Income		5.5	-2.66	23	15.09	15	68.04	11	-	-	5.03	413.8
Guinness Global Equity Income	Elite Rating	6.5	0.66	13	24.36	6	80.91	2	-	-	2.61	1008.8
Legg Mason IF ClearBridge Global Infra Income NEW ENTRY		5	-1.23	20	12.67	18	-	-	-	-	5.17	640.6
(C) M&G Global Dividend***	Elite Rating	7	-3.42	270 / 330	8.96	229 / 290	67.64	163 / 257	150.64	112 / 171	2.47	1999.8
TB Evenlode Global Income	Elite Radar	6	-4.01	30	-	-	-	-	-	-	2.30	698.0
SECTOR AVERAGE			**-3.75**	**55**	**6.82**	**50**	**49.12**	**42**	**126.87**	**15**		
MISCELLANEOUS**												
Artemis Monthly Distribution	Elite Rating	4.5	-5.39	151 / 168	-1.44	122 / 148	29.04	41 / 134	-	-	3.72	756.6
AXA Framlington Global Technology	Elite Rating	10	36.44	5 / 14	102.3	2 / 13	264.44	3 / 10	587.41	3 / 10	-	1195.4
BMO European Real Estate Securities*	Elite Rating	7.5	-4.16	-	11.06	-	46.52	-	196.63	-	-	45.3
Guinness Global Energy*		9	-41.17	329 / 330	-41.97	289 / 290	-30.71	256 / 257	-39.49	170 / 171	-	107.8
Jupiter Financial Opportunities	Elite Rating	8	4.45	-	32.88	-	84.86	-	138.56	-	0.3	565.2
(C) M&G Emerging Markets Bond	Elite Rating	4.5	-6.16	13 / 18	7.31	3 / 15	56.06	1 / 10	83.45	1 / 4	4.99	803.6
Merian Gold And Silver*	Elite Radar	10	39.12	-	52.99	-	-	-	-	-	-	744.5
Polar Capital Biotechnology*	Elite Rating	10	29.6	-	44.56	-	104.61	-	-	-	-	585.1
Polar Capital Healthcare Opportunities*	Elite Rating	8	4.67	-	30.16	-	58.18	-	440.91	-	-	1407.8
Premier Pan European Property Share	Elite Rating	7.5	-4.59	-	7	-	18.66	-	148.42	-	3.11	192
VT Gravis UK Infrastructure Income	Elite Radar	4	1.69	-	17.12	-	-	-	-	-	4.44	612.2

(C) Funds featured in The Chelsea Core Selection (see pages 12-17).

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.

Source: FE Analytics, total return, IA universe. All figures for period up to 01/09/2020, as at 04/09/2020.

^ 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.

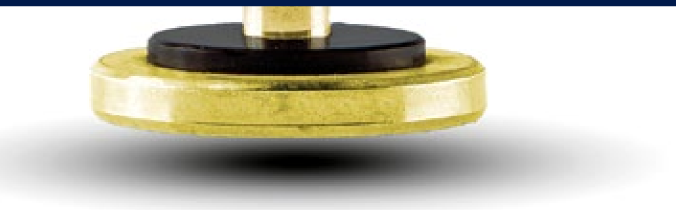
*** These funds fall within a different sector, hence the sector positions vary.

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 but subject to change.

Yields per annum as at 04/09/2020. Yields taken from Income unit versions of fund where applicable.

QUEST FOR INCOME

2020 is certainly turning out to be an extraordinary year. The fallout from the pandemic is wide reaching, one side effect being the dearth of income. The combination of even lower interest rates and companies being forced to cut dividends, has meant that yield has been in short supply. We know that many of our investors rely on investment income, so we thought that an update from managers of income-producing funds would be helpful at this difficult time.



RATHBONE INCOME

Elite Rated by FundCalibre

ALAN DOBBIE

Co-manager,
Rathbone Income

A NEW DECADE, ENTERED WITH OPTIMISM...

2020 should have been a year of progress for the UK stock market. The decisive general election of late 2019 had delivered the certainty investors crave and the UK's pariah status with global investors had left valuations attractive. The stage was set, and we entered the new year with optimism, hopeful that 2020 would be the first step in unlocking the value that we see in our home market.

...QUICKLY UPENDS THE BEST LAID PLANS

Then the world became a very different place. The corporate world, too, was shaken to its core. The novelty and severity of the pandemic had switched many company boards to 'safe mode'. Growth projects were shelved, bank credit lines drawn down and vast swathes of dividends were halted.

ADAPTING TO SUCCEED

The pandemic has forced us all to adapt. The scale and depth of the market-wide dividend cuts (-39% to -43% expected in 2020, according to the Link Asset Services UK Dividend Monitor) sent the share prices of many dividend cutters lower, whilst the prices of companies with 'safe' dividends were little changed. This significantly altered the balance of risks, leading us to adjust our approach. Historically we have placed equal emphasis on our fund's twin aims of beating the FTSE All-Share Index's total return and paying an attractive, growing income stream. However, with a reduced dividend pool and some dividend cutters now increasingly attractively valued, we chose to temporarily prioritise generating strong total returns over chasing the remaining dividends. We tag this approach, 'Rebase, Reallocate, Reward'.

REBASE

This shift in tack is not to say we are ignoring our income objective. We fully understand the importance to many investors of regular income payments and are also very proud of our fund's long track record of dividend growth, but pragmatism and flexibility are essential. As a result, our fund's dividend this year is likely to be around 20% below last year. However, this would still leave our yield above 4%.

REALLOCATE

The scarcity of dividends this year has widened the valuation gap between the dividend 'haves' and 'have nots'. Given that many cuts, in our view, were borne more out of prudence than necessity, this isn't entirely rational. Consequently, we have reduced our investments in some highly coveted dividend stalwarts, like Reckitt Benckiser, Roche and Relx, in order to buy some stocks where we feel total return prospects outweigh low or zero yields, for example, Persimmon and NatWest.

One wild card for the dividend outlook is the banking sector. Early in the crisis, the regulator strongly 'suggested' that banks should halt dividend payments until at least 2021. This action was likely down to prudent financial system supervision rather than specific fears regarding banks' ability to stay afloat. As a result, we are cautiously optimistic that several banks, including our holdings Natwest, Lloyds and Close Brothers, are attractively priced if they pay dividends sooner than expected.

REWARD

So where does this leave us? With an attractively-valued portfolio of stocks capable of generating strong total returns and a rebased, but still generous, dividend which should grow as the UK pulls itself out of recession.

THE FIRST STEPS IN AN IMPROVING OUTLOOK

In recent weeks some of our companies have cautiously returned to the dividend register (Persimmon and Smurfit Kappa); others are even making up for missed payments (BAE Systems, UDG Healthcare and Bunzl). While it is still far too early to declare the all-clear, the outlook is improving and values are attractive. That tends to be a good time for us to invest.

THE CHELSEA VIEW

Alan became co-manager of Rathbone Income in 2018, joining Carl Stick who is one of the UK's longest-standing income managers. This is a solid offering that has been on the Chelsea Core Selection for well over 10 years and invests in a concentrated portfolio of large and medium-sized companies.

CHRIS ELLIOTT

Fund Manager,
TB Evenlode Global Income

TB EVENLODE GLOBAL INCOME

On FundCalibre's Elite Radar

Very few people accurately predicted the current Covid-19 crisis, either in terms of its timing or the impact it would have on our lives and livelihoods. At Evenlode, we believe that identifying resilient companies is not an activity that should be left until a time of crisis. Instead we search for a range of compelling attributes that demonstrate the quality of a company, such as a durable competitive advantage, recurring cash flow and a conservative balance sheet. In the good times, these attributes provide the ammunition for the business to self-invest and grow; whether by opening new stores and factories, investing in R&D, or acquiring other companies. In more challenging times, these attributes can provide a cushion to soften economic blows. A company may see some reduction in short-term profitability, for example, but can continue to retain staff, serve its customers, and pursue strategic goals. In addition, if the company's competitors are unable to match these outcomes, then it is likely that the company will actually take market share and improve its competitive position in the longer term.

LIMITING DIVIDEND DECLINE

The philosophy outlined above has proven successful in limiting our dividend decline in the current crisis. For the TB Evenlode Global Income fund, our current expectation is of a 14% reduction in distributions for the fund's financial year (ending February 2021). While any fall is obviously disappointing, this is comfortably less than seen elsewhere - Janus Henderson[1] has forecast a 19%-25% dividend decline for global large-cap equities, and a 42% decline has also been predicted for UK equities. Our goal remains to consistently grow the dividend in absolute terms over the long term and while there remains a risk of further lockdowns and damage to company earnings, the recent recovery and performance of our portfolio companies has increased our confidence of achieving this aim over the coming years.

PROFITING SECTORS

There are specific sectors where we typically find more companies that meet our definitions of quality. Predominantly, the fund is invested across four key sectors; Consumer Goods; Healthcare; Technology; and Business-to-Business Services. Many of the companies in these sectors have seen less disruption than elsewhere. Unfortunately, the pandemic has not prevented people suffering from the many other conditions that afflict our species. Cancer and immunological conditions must still be treated, vaccinations given, and diagnoses made. For pharmaceutical companies including Roche, Sanofi and GlaxoSmithKline, this has enabled them to both continue to pay dividends and invest in research to help alleviate this crisis. Consumer goods companies like Procter & Gamble and Unilever have also seen an uptick in demand for many of their home and hygiene products and this has enabled both to increase their returns to investors whilst also committing millions in donations to help individuals through the pandemic.

STOCK SELECTION

A crisis usually provides investors the opportunity to invest in new high-quality companies, as their share price drops. While we prefer to avoid unnecessary trading, we moved rapidly to upgrade the overall quality of our portfolio. We were able to buy a new position in Hexagon, a Swedish technology company, which utilises highly precise location-based technology to increase the efficiency in both manufacturing & construction and has an excellent tailwind for growth. We also invested in Siemens Healthineers, a German medical technology company, which provides imaging and testing equipment used in medical diagnoses. With the rise of precision medicine, this company has the potential to grow future earnings and returns to the investor. We disposed of stakes in Sabre, the US airline tickets operator, and Hugo Boss, the fashion retailer. In our opinion these remain good businesses, but the relative balance in risk and reward favoured the new positions and was significant enough to justify the changes to the portfolio.

Making short-term predictions, both for the current pandemic and global equity markets, remains fraught with difficulty. We simply cannot know what tomorrow will bring. Instead, we take confidence from history. Both society and the market have weathered numerous major market shocks and crises before. We believe that this crisis shall pass in time also and that the long-term outlook for high quality companies remains positive. We shall continue to endeavour to identify these companies on behalf of our investors.

THE CHELSEA VIEW

We have been strong supporters of the original Evenlode Income, so this new fund is a natural transition with a very clear philosophy and process which we think can deliver over the long term for those looking for a growing income stream.

BAILLIE GIFFORD GLOBAL HIGH YIELD BOND

Elite Rated by FundCalibre

LUCY ISLES

Co-manager, **Baillie Gifford Global High Yield Bond**

The crisis has been a true test of the fund's resilient approach. Many previously perfectly viable businesses are struggling for sales, burning cash and taking on more debt to comply with government restrictions to save lives.

RESILIENCE IN THE PORTFOLIO

Our process, focusing first on resilience through the cycle, has not changed and portfolio trading has been limited. A key aspect of our process is to rigorously stress test each investment to appropriately position the holding. We did not, however, envisage this particular scenario in our initial testing. The immediate task in March, when the implications of the crisis weighed heaviest on bond markets, was to reassess our assumptions on resilience. We consider only c.15% of the portfolio to be severely affected by the social and economic implications of the pandemic. These are companies in the worst affected sectors - leisure, autos and services - many of which have experienced 100% loss of sales for many months.

To date, we have only sold out of three positions, due to weakened resilience. The only position we considered to be a default risk, Codere at 0.3%, has recently secured a restructuring, so while technically considered a default, it has so far not resulted in a loss of capital for our clients. In our view, many of our severely affected companies could withstand long periods without requiring new capital or defaulting. So, default rates, even in a pessimistic scenario, should be significantly less than 15% of today's fund value. We expect the fund will continue to outperform due to our focus on resilience and consistent with our track record of 2/3 fewer defaults relative to the market since inception.

INCOME OPPORTUNITIES

Confident in our existing positions, we have started investing in high-quality, attractive yielding, sustainable survivors. The volatility in bond markets means, for the first time in years, many BB and BBB rated bonds have fallen by double-digit percentages in price. Many of these are high-quality companies with low risk of default, facing short-term pressures.

We are seeing investment grade companies and fallen angels trading on attractive valuations. Take our new holding in Carnival: a fallen angel cruise company who issued a short-dated bond with, by our calculations, a near 100% recovery rate offering an 11.5% yield. Or our new secondary market purchase in PVH: the investment grade owner of the Tommy Hilfiger and Calvin Klein brands, delivering double digit online sales growth in loungewear, their predominant offering. PVH's operational flexibility, long-dated debt structure and significant liquidity we believe will allow them to weather the uncertainty ahead. Some of our new holdings are in fact beneficiaries of the new environment, such as discount grocery and general merchandise store B&M, posting double-digit growth as people seek out value. Or Progroup, the niche German manufacturer of corrugated board, benefiting from surging ecommerce sales.

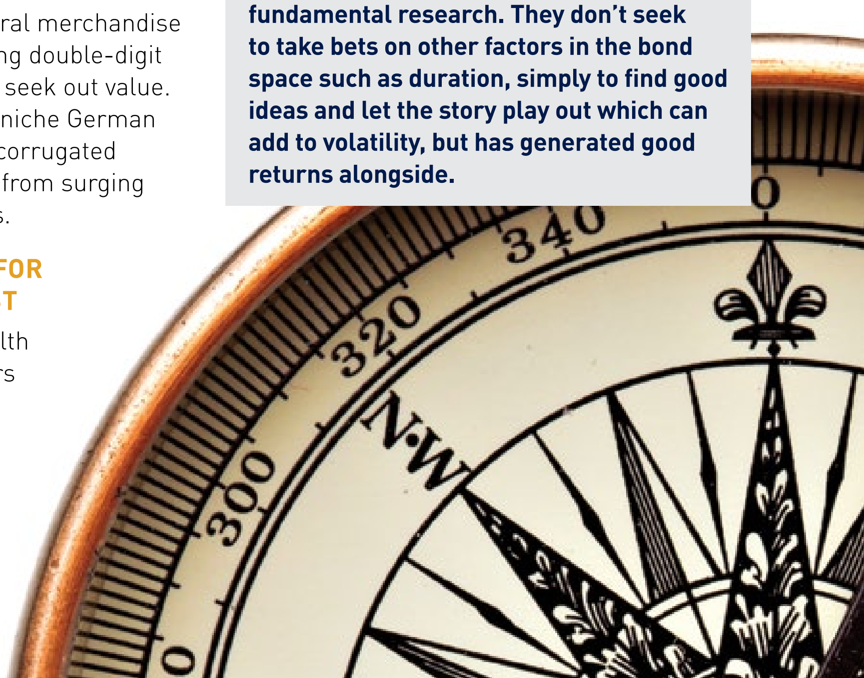
THE OUTLOOK FOR FIXED INTEREST

As the global health pandemic shatters exposed sectors across the world, default rates within the asset class are on the rise, on course to reach the highest level in a decade. On the other side of this picture is massive stimulus from governments and central banks. Many investors are also looking to be more lenient and support companies through this event.

Whilst we're not calling the bottom, we are certainly finding and capitalising on incredible value in the market. Our approach, seeking out resilience, is unchanged. And in this mercurial new world we find ourselves in, it has never looked more fitting or more powerful. Our "handpicked" approach to the asset class, investing in only a handful of highly resilient businesses, we believe will deliver long-term income in the challenging months and years ahead.

THE CHELSEA VIEW

Baillie Gifford stick true to their stock selection approach with this fund. It is quite different from its peers, focusing on finding good companies through in-depth fundamental research. They don't seek to take bets on other factors in the bond space such as duration, simply to find good ideas and let the story play out which can add to volatility, but has generated good returns alongside.



LEGG MASON IF CLEARBRIDGE GLOBAL INFRASTRUCTURE INCOME

CHARLES HAMIEH

Senior Portfolio Manager,
Legg Mason IF ClearBridge Global Infrastructure Income

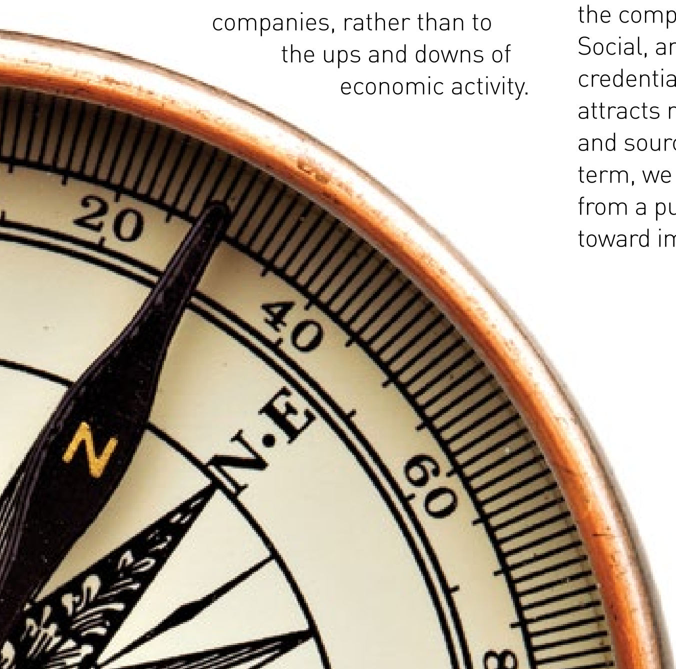
LISTED INFRASTRUCTURE: POTENTIAL FOR STABLE AND GROWING INCOME

As central banks have reduced interest rates to help ease the economic blow of COVID-19, the importance of income is front and centre. Specifically, how safe are the dividends from income-focused investments and can they grow even under the pressure of a pandemic?

STRATEGY

With the market swooning from economic lockdowns in March, our first response was to look at our holdings and ensure all our companies had liquidity to carry them through the crisis. Then we looked to see, stock by stock, whether their dividends might be at risk. We analysed company guidance and talked to the companies while reviewing our modeling to ensure we understood the numbers on a near-term basis.

In the following months, we looked carefully at our holdings' payout policies and dividend growth. Income stability can be evaluated by looking at the predictability of a company's cash flows over time. The relationship between cash flow, the company's capital structure and its strategy for distributing this cash will ultimately impact the dividends it pays to its investors. In this way, infrastructure has an edge as a long-term income solution. Revenues are generally linked to the asset base of these companies, rather than to the ups and downs of economic activity.



PORTFOLIO HIGHLIGHTS

One such company whose assets operate under long-term contracts is NextEra Energy Partners (NEP - 5.98% holding as at 31/07/2020). This US market leader in renewable energy has a weighted average contract duration of approximately 20 years and is expected to be a beneficiary of the clean energy transition in the US. The company's portfolio consists of wind, solar and natural gas pipeline assets. With a solid current yield of 4.2%*, NEP also offers dividend growth potential of 12%–15% to 2024, in our view.

In Europe, SSE (2.86% holding as at 31/07/2020) owns regulated electricity and gas network assets in the UK and is becoming a key renewable-exposed name. SSE's dividend yields 6.5%* and the company has several near-term catalysts likely to drive capital growth in the share price, including the sale of assets, final investment decisions on new green projects and a final regulatory decision.

SSE recently provided clarity on future strategy and commitment to dividend growth and is likely to announce some positives in the second half of 2020, including the sale of "not so green" gas production and other businesses, whose proceeds it can invest in a renewable-focused network and wind projects. This will also improve the company's Environmental, Social, and Governance (ESG) credentials, which often attracts new shareholders and sources of capital. Longer term, we expect SSE to benefit from a public policy tilted toward improving the mix of renewable energy and the push for offshore wind in the U.K. on the path to net-zero carbon emissions.

While we envision a more gradual recovery from COVID-19 than the market, as economic activity picks up, user-pays assets will resume their role of offering stable cash flows with a modicum of elasticity throughout the economic cycle. Utilities, meanwhile, have been as resilient as ever. Their earnings have had minimal impact, and they still offer significant predictability of return and the potential for strong dividends growing well above inflation. We believe listed infrastructure will continue to play a unique role in a portfolio, offering predictability of cash flow, good diversification of returns and a healthy dividend growing at well above inflation.

THE CHELSEA VIEW

This fund taps into the growing need for new and updated infrastructure projects – such as roads and utility systems - from across the globe, including both developed and emerging markets. The sector is lowly correlated to global growth and therefore a good diversifier. The preference for regulatory or government supported businesses, as well as a high proportion of inflation-linked payments, makes for a dependable income stream.

*Yields of securities mentioned are as at July 31, 2020.

Individual securities mentioned are examples only and are not recommendations to buy or sell an investment.

Dividend yield is a financial ratio that shows how much a company pays out in dividends each year relative to its share price. The current yield is the gross annual income (interest or dividends) paid out by the underlying investments within the fund divided by their current price. Dividends represent past performance and there is no guarantee they will continue to be paid.

OPPORTUNITIES IN HEALTHCARE POST-COVID-19

DAN MAHONY and GARETH POWELL

Co-heads of the
Polar Capital Healthcare Team

Nothing could have prepared us for the arrival of the coronavirus pandemic, but the world is adapting to the new normal and myriad investment opportunities have arisen within the healthcare sector. Dan Mahony and Gareth Powell, co-heads of the Polar Capital Healthcare Team, give us an insight into how their investment universe has changed as a result of the pandemic

COVID-19 has had a dramatic impact on the global economy, but given this has been a healthcare crisis, the impact on the healthcare sector has been unique – and it is a problem the industry is leading the fight to solve.

The healthcare sector is taking the fight to COVID-19 in a number of different ways, the most significant being the development of vaccines, drugs and diagnostic testing. At the last count, there were over 100 ongoing vaccine programs and 2,600 studies into drug development. We are already starting to see data and, on the back of recent data from Moderna, a US biotechnology company, one commentator noted that what its vaccine program has achieved in six months would normally take six years.

There has been some success in drug development, with Remdesivir, Dexamethasone and inhaled interferon B. Diagnostic testing – the availability of tests to detect infection and antibodies – is probably something you are familiar with as the interest in it has been extraordinary, to the point that manufacturers are struggling to keep up with demand.

ADAPTING TO THE CHANGES

As we have moved through the crisis, demand for healthcare products and services has varied. In March, we saw enormous demand for telehealth, ventilators and other healthcare equipment, diagnostics and protective equipment. We also saw continued demand for pharmaceutical and medtech products with significant stockpiling ahead of lockdown.

At the height of the crisis, elective procedures collapsed, down 80-90% in April in the US and Europe, following a similar decline in February for China during what was peak lockdown for them. As economies have begun to re-open, we have seen medical procedures rebound much faster than expected – activity at some hospitals has been above pre-COVID levels.

We have exposure to many areas directly involved in the fight against coronavirus. We invest in, for example, large companies with R&D capabilities that are developing vaccines as well as providing manufacturing capacity; biotech companies developing drugs including antibodies directly against COVID-19; and, on the diagnostics side, companies that have developed tests both to detect infection and measure the presence of antibodies.

These exposures have changed as the crisis has developed. At the height of investor fear in mid-to-late March, we started to add to the most beaten down areas of healthcare, including small/mid-cap biotech, medical devices and healthcare providers. In early April, we were much more aggressive, viewing the worst as over, and sold down in defensive areas such as large-cap pharmaceutical, taking on more risk to hopefully participate more significantly in the potential rebound. We also increased exposure to healthcare services, technology and diagnostics. Many companies in these subsectors have played a significant role during this pandemic.

THE US ELECTIONS

The US is our industry's largest market, so the outcome of the presidential election is vital to the healthcare sector. Consensus is moving towards Joe Biden being elected president and the Democrats achieving a clean sweep of Congress, maintaining their leadership of the House, while likely achieving a small majority in the Senate.

If this is correct, there are several points to consider. Investors are likely to avoid large-cap pharma, large-cap biotech and health insurers running into the election. Small/mid-cap biotech, healthcare providers, medical devices and life science tools and services are likely to outperform over this period.

Biden's initial healthcare strategy will likely expand the system currently in place, Obamacare, by a significant amount. This would be very bullish for the sector and we would highlight the last bull market in healthcare started in 2010 with the initiation of Obamacare.

Drug pricing in the US is an ongoing overhang where concerns rise and fall over any legislation that might affect it. Our view in the short term is this is not an issue that will be dealt with immediately. However, in the medium term, we definitely see action coming as the system in the US is simply too dysfunctional. Change might be difficult to achieve if the Democrats only have a small Senate majority, though the US does need to remove the economic incentives for the middlemen

which are reducing competition in the US pharmaceutical market and hurting consumers.

LOOKING AHEAD

COVID-19 has had a huge impact on the global economy but we are now thinking about the longer-term effects of this crisis on the healthcare sector. We think the life sciences sector will see significant government, philanthropic and private investment over the next 5-10 years. Key drivers include funding for better medical preparedness, as both the US and the EU have announced programs to create what will effectively be a strategic medical reserve of PPE, ventilators and other medical equipment.

Next, we expect to see more money for research to prevent the next health crisis. In July, a group of pharmaceutical companies formed the $1bn AMR Action Fund to finance novel antibiotic research.

We also think there will be more onshoring of key manufacturing, especially in the US, as supply chains, primarily in drug manufacturing, have been under scrutiny over the past few months. In the US this may initially come in the form of tax incentives, but we could see new legislation demanding more local manufacturing.

Finally, we are also seeing the beginning of proposals focusing on prevention and wellness. COVID-19 may persuade individuals to take on more responsibility for their own health. It is now clear, for instance, that people with Type-2 diabetes and obesity are at a much higher risk of more serious disease.

DIGITAL HEALTHCARE

Over the past three years, a key part of our investment thesis is that information technology is driving a structural disruption of healthcare systems. To improve their efficiency, we need major changes in how healthcare is managed, delivered and paid for, and COVID-19 has accelerated many of these trends. For example, we have seen probably five years' adoption of digital health technology in just three months. Remote monitoring is also becoming more mainstream – even the Apple Watch now has a cardiovascular monitoring system.

The use of real-world data has the potential to transform how medical treatments are evaluated and paid for. It has been known for some time that results from a clinical trial, where the best doctors treat carefully selected patients using the best clinical practices, are difficult to replicate in the real world. The COVID-19 crisis has required almost real-time monitoring of an emerging medical condition with rapid collection and processing of clinical data. As a result, we think it brings forward the use of real-world data to evaluate any medical treatment.

Over the past five months, we have seen a significant increase in the use of technology to address the constraints imposed by COVID-19. However, we believe we will begin to see greater adoption across healthcare systems to improve efficiency. This creates opportunities for us in companies looking to continue to disrupt and innovate across the healthcare value chain, from drugs and devices to services and technology.

Thanks to COVID-19, we also expect to see more investment in R&D, healthcare systems look set for a significant upgrade over the next few years and we have started to see the efficiency benefits that new technology can bring to the table.

While we find it very difficult to predict the macroeconomic impact of lockdowns and physical distancing, we do think that demand for healthcare will continue to increase and that the sector will continue to deliver long-term resilient earnings growth.

POLAR CAPITAL HEALTHCARE OPPORTUNITIES

- Run by a team of highly experienced sector specialists
- Strategy looks across the sector for themes that will drive returns for favoured companies
- Multi-cap fund with a bias towards smaller and medium-sized companies
- Looks for growth prospects, but at a reasonable price

THE CHELSEA VIEW

This fund's managers break down their industry into different themes to find companies, both large and small, that can be leaders in their chosen niches across the healthcare market.

HOW SHOULD US INVESTORS POSITION PORTFOLIOS AHEAD OF THE COMING PRESIDENTIAL ELECTION?

NICK FORD

Co-manager,
LF Miton US Opportunities

LF MITON US OPPORTUNITIES

Elite Rated by FundCalibre

At the time of writing, Joe Biden leads President Trump by a margin of 9% according to the latest Wall Street Journal/NBC poll. Despite this, there appears to be a growing sense that the President could still pull off a stunning comeback. Trump had the same deficit to overcome at this point in the last election and managed to win the required electoral college votes needed to take the White House.

Despite the current virus-induced downturn, recent economic data is beginning to point strongly in favour of Trump being able to claim credit for engineering one of the strongest recoveries on record. July saw a huge rebound in construction starts on new homes. The construction boom has been so strong that there are now worries about a shortage of lumber. Elsewhere, consumer spending has begun to rise strongly again with a third successive month of record-breaking retail sales growth. The manufacturing sector has a renewed buoyancy, with activity climbing to an 18-month high. The timing of the recovery could prove fortuitous for Trump: third quarter GDP estimates will be released in mid-October and will probably show that the US economy surged at an annualised rate of as much as 20%.

We expect domestic cyclical stocks to do well in the event of Trump holding on in November. The key point is that his tax reform implementations of a few years ago will be preserved. We should see further moves to reduce red tape and other cumbersome business regulations as well. Housing and related plays should continue to benefit in this pro-business environment, as should companies in the industrial sector, including transportation and waste collection.

If the polls are correct and Joe Biden becomes President, investors will focus on whether the Democrats are able to control both the House of Representatives and the Senate, given the latter has a Republican majority capable of blocking his agenda.

WHAT TO EXPECT FROM BIDEN

Biden has positioned himself as a moderate who would raise taxes but create more stability around trade and the pandemic. We are likely to see increased regulation, which would reduce corporate profits and impact economic growth. Americans would benefit from less pollution but encounter more workplace safety rules and a focus on worker rights. If Biden wins, one of his key proposals is to increase capital gains tax for the wealthiest investors. The effect would be to drive a wave of selling in November and December, with the hardest hit stocks those that have posted the biggest gains in recent years. Technology stocks and the FANGs (Facebook, Amazon, Netflix and Alphabet) would be particularly vulnerable because the strategy for many wealthy investors holding stocks with big gains will be to sell this year and pay the lower current tax rate on the gains instead of selling next year and be faced with a far higher bill. Elsewhere, corporate profits are at risk from plans to raise corporation tax to 28% from the current level of 21% - a clear reversal of President Trump's pro-business policies.

DIVERSIFICATION IS KEY

We think a sensible investment strategy ahead of the inevitable pre-election stock market volatility would be to remain well diversified and focus on some of the less fashionable and unloved sectors within the S&P 500 Index. The biggest stocks in the index in one decade are often not the biggest in subsequent years, as we saw recently with the removal of former energy mega cap Exxon Mobil from inclusion within the Dow Jones Industrial Average. We also think the smaller companies sector is poised to produce better returns as investors look for companies with disruptive business models and large markets. Valuations look attractive after a long period of underperformance and this asset class usually performs well coming out of recessions.

THE CHELSEA VIEW

Nick & Hugh really differentiate themselves with this fund. The US markets have been a hotbed for the world's biggest corporate success stories and this multi-cap approach allows them to pick ideas from the small to the large. Their concentrated portfolio allows for these ideas to compound their returns into the long term. The LF Miton US Smaller Companies fund has recently been launched, which is also run by Nick and Hugh.

TIMING RISK

RYAN LIGHTFOOT-BROWN

Senior Research Analyst, **Chelsea**

We have had a tumultuous period in global markets since the last edition. The impact of the Covid-19 virus has caused an unprecedented impact on our lives, livelihoods and health.

While the human cost will always be of paramount importance, the impact on markets has also been severe. We saw one of the fastest market falls on record, followed by one of the sharpest recoveries. We fielded multiple questions from clients, colleagues and families alike on whether it was time to cut losses and sell, whether it was right to buy back in or whether people should wait and see.

In periods of market distress, it is incredibly difficult to answer these questions when there is so much that is unknown and so much to fear. With that in mind, we look at the risk of trying to time the market, and how investors can help mitigate it.

We define timing risk as the opportunity cost of selling a market that subsequently rises (thus 'losing' the opportunity of that rise) or buying a market which subsequently falls. When markets are moving as much as they did in the crisis, these risks can be large and evolve quickly. One of the main issues lies in behavioural finance – the psychology behind investing.

One reaction in a market fall is to sell in order to 'cut your losses'. This is a behavioural reaction to stop the pain of seeing a negative figure, which also makes it seem as though the initial trade was wrong.

However, the logic of selling to avoid this pain is misguided- that negative figure is only confirmed by actually pressing 'sell'. These actions are often justified by insisting there will be a better chance to buy it back at a lower level. As we saw in March though, it can often be the case that these moments of extreme pain prove to be the bottom of the market.

If this happens – selling into a trough – it is then mentally very difficult to buy something back at a higher price than it was sold at. This is because it confirms that the sell was wrong, and that another mistake was made. As an investor then waits for a better investment point, the market may well recover and the classic 'buy low sell high' mantra has been turned on its head.

We saw this in the most recent sell-off, where the market was getting aggressively and indiscriminately sold off, and where it seems no valuation logic remained. The peak of this was on the 23rd March, which ultimately proved to be the best time to invest (as of time of writing!).

It is very difficult to contemplate all of this at the best of times, but it's harder when the market is volatile and emotions are running high. It is something that professional investors struggle with, let alone for investors who don't do it as a full-time occupation. As such, there are techniques investors can use to help mitigate the risks.

MITIGATING THE RISKS

When markets fall, investors should try to take a step back and truly ask themselves whether this is the right time to sell and whether this market price is truly representative of the conditions. In many instances, it may be the right time to buy, now that markets are cheaper. People are very willing to buy a shirt when it is 40% off, but seem to want to avoid stock markets when the same thing has happened.

Having a regular investment, such as paying in monthly, may also help. This way, the emotion of timing the market is taken out of your hands, and even if the market is rising or falling, an effect called pound cost averaging will help. This is where spreading the payments out means the average cost of buying units rises or falls with the markets.

Ultimately, investing should be seen as a long-term process. Buying in dips can help improve returns, but it is unlikely to make a huge difference to the final value. A well-diversified portfolio will offer compound returns over time. It takes us back to the old, but very relevant adage of "it's not timing the market, it's time in the market".

See page 3 for the Chelsea Risk Thermometer and how to use it.

FUNDS UPDATE

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

JULIET SCHOOLING LATTER

Research Director, **Chelsea**

ARTEMIS GLOBAL INCOME

Jacob de Tusch-Lec's fund has been one of the most widely held in the Global Equity Income space for many years. He favours mid- and large-cap companies paying a sustainable and growing income, with a balance of growth companies, stable 'core' companies, and those with greater risk/reward potential. However, in the past couple of years, his valuation discipline has led to him owning fewer growth companies which has led to underperformance as they have outperformed. The fund has subsequently suffered from outflows which has compounded the difficult performance. Jacob has tweaked his approach to allow more flexibility in his valuation discipline but until these changes and the outflows stabilise, we have downgraded the fund to a hold rating.

DOWNGRADED TO HOLD

DOWNING UNIQUE OPPORTUNITIES

While this fund is a new launch, manager Rosemary has an extensive level of experience in investment management which started with a role as a broker, before replacing Anthony Cross (now of Liontrust Special Situations) at Schroders, where she spent nearly 20 years. She won multiple awards during her time there, and has now launched her own UK multi-cap equity fund, with a concentrated portfolio of 25-40 stocks. Rosemary looks for companies with sustained competitive advantage, low debt and good management teams. Based on Rosemary's impressive personal track record, we have put the fund straight to a buy rating.

BUY

BNY MELLON GLOBAL INCOME

In a surprise move, former manager Nick Clay has left BNY Mellon (formerly Newton) and taken three of his associates with him to RWC. Nick had previously done an admirable job on the Global Income fund, having taken over from James Harries who left to launch Troy Global Income in 2015. Ilga Haulbert has taken over primary fund management responsibilities, though the fund does have a team-based approach, aided by the impressive BNY analyst resources at her disposable. However, considering four senior members of the team have left the fund, we have downgraded the fund to a generic hold rating while they restructure the leadership team.

DOWNGRADED TO HOLD

Chelsea Generic Fund Rating

The Chelsea Generic Fund Rating is an opinion expressed in relation to a particular fund, aimed at the general universe of both existing and potential investors in that fund, based on our proprietary research into the performance of that fund and its future prospects. Please note that we have no knowledge of your personal and financial circumstances and cannot comment on whether the investments you may hold are suitable for you. The generic ratings issued are Chelsea's views and do not constitute personal advice. These views were correct at time of going to print and we cannot be held responsible for subsequent changes.

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.
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	

Brian A, Staffordshire, said:
"As a long-standing client of Chelsea I would not hesitate to recommend them. They are easy to contact by telephone or email and the staff are always helpful with any queries you may have."

Sophia Campanella, Stratford-upon-Avon, says:
"Over the many years of using Chelsea, we have always found your staff to be very helpful and efficient. Chelsea are different and care about people, service and value."

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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