


# CHELSEA CORE SELECTION

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

## UK Equities

### AXA Framlington UK Select Opportunities

Nigel Thomas is a pragmatic stock picker who looks for both growth and value opportunities across the market-cap spectrum, although typically his fund will have around 50-60% in large-cap stocks. Stock selection is driven by bottom-up fundamental analysis and the introduction of new products or a change in management are also deemed important factors. Nigel places considerable emphasis on meeting companies and their management, to assess the feasibility of their business plans and their ability to implement them. Strength of management is the most important attribute he considers when making investment decisions. The portfolio typically holds around 70 stocks.

Chelsea Risk Rating	6
Annual Management Charge	0.75%#
Ongoing Charges Figure (OCF)	0.83%†
FundCalibre rating	ELITE 
Morningstar rating	SILVER
Yield	1.86%
Unit Type	ACC or INC


### Franklin UK Smaller Companies

The strategy of this fund was completely changed around in 2012 when Richard Bullas took over the fund. The team are based in Leeds to enable them to focus on their stock selection and portfolio construction without the 'noise' of the city. Richard takes responsibility for the small-cap stocks and Paul Spencer manages the mid-caps, split around 80:20 respectively. The process is similar to Paul's highly successful mid-cap fund, with an emphasis on established, quality businesses with visible earnings. The fund has a long-term vision, with no particular bias to growth or value, and is quite concentrated, typically holding around 50 stocks, with no position worth more than 5% of the total portfolio. The smaller size of the fund, relative to its peers, allows the managers to be nimble.

Chelsea Risk Rating	8
Annual Management Charge	0.75%#
Ongoing Charges Figure (OCF)	0.83%†
FundCalibre rating	–
Morningstar rating	BRONZE
Yield	1.02%
Unit Type	ACC or INC


### JOHCM UK Dynamic

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

Chelsea Risk Rating	6
Annual Management Charge	0.63%*#
Ongoing Charges Figure (OCF)	0.71%†
FundCalibre rating	ELITE 
Morningstar rating	SILVER
Yield	3.41%
Unit Type	ACC or INC


### Liontrust Special Situations

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

Chelsea Risk Rating	6
Annual Management Charge	0.75%#
Ongoing Charges Figure (OCF)	0.87%†
FundCalibre rating	ELITE 
Morningstar rating	BRONZE
Yield	1.73%
Unit Type	INC


### Marlborough UK Micro-Cap Growth

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

Chelsea Risk Rating	8
Annual Management Charge	0.75%#
Ongoing Charges Figure (OCF)	0.80%†
FundCalibre rating	ELITE 
Morningstar rating	–
Yield	–
Unit Type	ACC

### SPOTLIGHT Marlborough UK Multi-Cap Growth

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

Chelsea Risk Rating	7
Annual Management Charge	0.75%#
Ongoing Charges Figure (OCF)	0.84%†
FundCalibre rating	ELITE 
Morningstar rating	–
Yield	0.74%
Unit Type	INC

N.B. Chelsea Risk Ratings are based on qualitative and quantitative research, not asset allocation. Please see page 30 for more information. For performance statistics please refer to pages 22-23.

All data sourced from FE Analytics, 02/01/2018. Yields 16/01/2018, from Income units.

\* There is a performance fee payable to the fund manager on outperformance of the benchmark. 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.

## Equity Income

### Artemis Global Income

Jacob de Tusch-Lec adopts a similar methodology to that of the successful Artemis Income fund. The ability to choose companies worldwide offers greater opportunities to find organisations with sustainable and growing yields. The fund favours large and mid-cap companies in a high-conviction portfolio of 60-80 stocks. The portfolio is structured using themes forming a balance between a stable core of stocks, growth companies and those with greater risk/reward potential. The manager aims to derive a yield from various sources through differing market conditions. Income is paid in April and October. The manager has a strong valuation discipline.

Chelsea Risk Rating	6.5
Annual Management Charge	0.75% <sup>#</sup>
Ongoing Charges Figure (OCF)	0.81% <sup>†</sup>
FundCalibre rating	ELITE
Morningstar rating	BRONZE
Yield	3.32%
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	0.75% <sup>#</sup>
Ongoing Charges Figure (OCF)	0.91% <sup>†</sup>
FundCalibre rating	ELITE
Morningstar rating	SILVER
Yield	2.72%
Unit Type	ACC or INC

### NEW ENTRY Man GLG UK Income

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

Chelsea Risk Rating	6
Annual Management Charge	0.70% <sup>#</sup>
Ongoing Charges Figure (OCF)	0.90% <sup>†</sup>
FundCalibre rating	ELITE
Morningstar rating	-
Yield	4.30%
Unit Type	ACC or INC

### Rathbone Income

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

Chelsea Risk Rating	5
Annual Management Charge	0.75% <sup>#</sup> ^
Ongoing Charges Figure (OCF)	0.79% <sup>†</sup> ^
FundCalibre rating	ELITE
Morningstar rating	BRONZE
Yield	3.84%
Unit Type	ACC or INC

### Standard Life UK Equity Income Unconstrained

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

Chelsea Risk Rating	6
Annual Management Charge	1.00% <sup>#</sup>
Ongoing Charges Figure (OCF)	1.15% <sup>†</sup>
FundCalibre rating	ELITE
Morningstar rating	BRONZE
Yield	3.96%
Unit Type	ACC or INC

### Threadneedle UK Equity Alpha Income

Co-manager since 2010, Richard Colwell has now taken full control following Leigh Harrison's retirement. He continues to place emphasis on generating a total return from a concentrated portfolio of UK equities. The portfolio is constructed from the managers' best ideas, consisting of 25-30 UK stocks. The team identify economic investment themes and position the portfolio accordingly. This may lead to a greater focus on certain sectors. This unconstrained approach provides the flexibility that allows Richard to take active positions in his best ideas. Income is paid in January and July.

Chelsea Risk Rating	5
Annual Management Charge	0.75% <sup>#</sup>
Ongoing Charges Figure (OCF)	0.88% <sup>†</sup>
FundCalibre rating	-
Morningstar rating	BRONZE
Yield	4.30%
Unit Type	INC

### TB Evenlode Income

Long-term thinking is key for this fund, with managers Hugh Yarrow and Ben Peters believing the market obsesses with short-term factors and thus overlooks key fundamentals. They only buy the highest quality businesses that are able to grow their dividends and create compound growth over a very long period. Their stocks will typically have difficult-to-replicate business models, strong positioning in their markets and low borrowings. They will never invest in highly capital-intensive areas such as mining or oil and gas. As such, the fund often performs well in down markets. While not the highest yielding fund, its compounding approach has allowed a consistent and growing payout level from a very concentrated portfolio.

Chelsea Risk Rating	5
Annual Management Charge	0.90% <sup>#</sup>
Ongoing Charges Figure (OCF)	0.90% <sup>†</sup>
FundCalibre rating	ELITE
Morningstar rating	-
Yield	3.20%
Unit Type	ACC or INC

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

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

This is our proprietary rating to aid you in your fund choice. Our research team assesses the overall risk of a fund by analysing a number of factors including: the level of risk involved in the region/sector in which the fund invests; the size of the companies within the fund; the number of stocks held; the risk controls imposed by the manager; the use of derivatives and currency issues. **We then assign a Chelsea Risk Rating to the fund, with 1 as the lowest risk and 10 the highest. See page 30 for further details.**

## Europe

### BlackRock European Dynamic

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

Chelsea Risk Rating	7
Annual Management Charge	0.75%#
Ongoing Charges Figure (OCF)	0.92%†
FundCalibre rating	ELITE
Morningstar rating	SILVER
Yield	0.63%
Unit Type	ACC or INC

### Jupiter European

The fund manager, Alexander Darwall, runs a concentrated, conviction portfolio of 30-40 stocks, with a focus on mid-cap companies. Alexander takes a long-term view, focusing predominantly on bottom-up stock analysis and places a high degree of emphasis on management meetings and having an in-depth understanding of the companies in which he invests. Turnover is thus very low. Alexander will only consider stocks with sound business characteristics and favours those which he believes will emerge stronger from a recession.

Chelsea Risk Rating	6.5
Annual Management Charge	0.75%#
Ongoing Charges Figure (OCF)	1.03%†
FundCalibre rating	ELITE
Morningstar rating	GOLD
Yield	0.40%
Unit Type	ACC or INC

### Threadneedle European Select

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

Chelsea Risk Rating	7
Annual Management Charge	0.75%#
Ongoing Charges Figure (OCF)	0.83%†
FundCalibre rating	ELITE
Morningstar rating	BRONZE
Yield	1.00%
Unit Type	ACC or INC

## US

### AXA Framlington American Growth

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

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

### Fidelity American Special Situations

Manager Angel Agudo takes a value approach to running this fund, aided by one of the largest US research teams in London, to create long-term capital appreciation for his investors. He looks for firms which are out of favour, but where the market has undervalued the potential for an improvement. This leads to a concentrated portfolio of 40-60 stocks which are in different stages of their turn-around, so that the portfolio has the potential to outperform through different macroeconomic environments. Once he has highlighted potential stocks, he invests at valuations where he believes there is a 50-100% upside. Angel uses scenario analysis to assess his stocks, including assessing how a stock should perform if the worst were to happen.

Chelsea Risk Rating	7
Annual Management Charge	0.75%#
Ongoing Charges Figure (OCF)	0.95%†
FundCalibre rating	-
Morningstar rating	BRONZE
Yield	-
Unit Type	ACC

### NEW ENTRY 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. This is now their only fund. Within it, 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)	0.84%†
FundCalibre rating	-
Morningstar rating	-
Yield	-
Unit Type	ACC

## 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 30 for further details.**

N.B. Chelsea Risk Ratings are based on qualitative and quantitative research, not asset allocation. Please see page 30 for more information. For performance statistics please refer to pages 22-23.

All data sourced from FE Analytics, 02/01/2018. Yields 16/01/2018, from Income units.

\* There is a performance fee payable to the fund manager on outperformance of the benchmark. See the KIID for further details.

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

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

## Asia Pacific, Japan and Emerging Markets

### Invesco Perpetual, 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. It favours investing in mid-cap stocks with around 50% of the value of the fund in its top 10 holdings.

Chelsea Risk Rating	10
Annual Management Charge	–
Ongoing Charges Figure (OCF)	0.89% <sup>†</sup>
FundCalibre rating	ELITE
Morningstar rating	–
Yield	–
Unit Type	ACC

### JOHCM Asia ex-Japan Small and Mid Cap

Managers Cho Yu Kooi and Samhir Mehta have worked together for 15 years and are based in Singapore. This is a high conviction fund, which is willing to make big calls on which countries and sectors it invests in. The fund is a mix of core high quality companies (minimum 75% of the fund) and more cyclical stocks. It has historically been heavily exposed to the consumer. As its name suggests, the fund invests in small and mid-sized stocks and can be volatile as a result. Every stock in the portfolio is tested to see how it performed in previous down markets.

Chelsea Risk Rating	9
Annual Management Charge	0.90% <sup>^*</sup>
Ongoing Charges Figure (OCF)	1.38% <sup>^†</sup>
FundCalibre rating	–
Morningstar rating	–
Yield	–
Unit Type	INC

### 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% <sup>#</sup>
Ongoing Charges Figure (OCF)	0.93% <sup>†</sup>
FundCalibre rating	–
Morningstar rating	NEUTRAL
Yield	0.21%
Unit Type	ACC or INC

### Man GLG Japan Core Alpha

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

Chelsea Risk Rating	10
Annual Management Charge	0.75% <sup>#</sup>
Ongoing Charges Figure (OCF)	0.90% <sup>†</sup>
FundCalibre rating	ELITE
Morningstar rating	GOLD
Yield	1.99%
Unit Type	ACC or INC

### Matthews Asia Pacific Tiger

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

Chelsea Risk Rating	8
Annual Management Charge	0.75% <sup>#</sup>
Ongoing Charges Figure (OCF)	ACC 1.29%
	INC 1.21%
FundCalibre rating	ELITE
Morningstar rating	SILVER
Yield	–
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 macro economic 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% <sup>#</sup>
Ongoing Charges Figure (OCF)	1.30% <sup>†</sup>
FundCalibre rating	–
Morningstar rating	–
Yield	–
Unit Type	ACC

### Schroder Asian Alpha Plus

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

Chelsea Risk Rating	8
Annual Management Charge	0.75% <sup>#</sup>
Ongoing Charges Figure (OCF)	0.95% <sup>†</sup>
FundCalibre rating	ELITE
Morningstar rating	SILVER
Yield	0.83%
Unit Type	ACC or INC

### Stewart Investors Asia Pacific Leaders

The fund was previously managed by veteran Angus Tulloch, who has handed over full responsibility to the previous co-manager David Gait. 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% <sup>#</sup>
Ongoing Charges Figure (OCF)	0.89% <sup>†</sup>
FundCalibre rating	ELITE
Morningstar rating	SILVER
Yield	1.00%
Unit Type	ACC or INC

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

## Global

### Fidelity Global Special Situations

Jeremy Podger took over the management of this fund in 2012. Jeremy is a pragmatic bottom up stock picker who does not stick too rigidly to one particular investment style. His investments fall into one of three buckets. Corporate change – shorter term investments which take advantage of corporate restructuring or initial public offerings (new stocks coming to the market). Exceptional value – cheap stocks which have a potential to grow earnings. Unique businesses – businesses 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%* <sup>#</sup>
Ongoing Charges Figure (OCF)	0.95% <sup>†</sup>
FundCalibre rating	ELITE
Morningstar rating	SILVER
Yield	–
Unit Type	ACC

### Fundsmith Equity

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

Chelsea Risk Rating	6
Annual Management Charge	0.90% <sup>#</sup>
Ongoing Charges Figure (OCF)	0.95% <sup>†</sup>
FundCalibre rating	ELITE
Morningstar rating	GOLD
Yield	0.65%
Unit Type	ACC or INC

### Rathbone Global Opportunities

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

Chelsea Risk Rating	6.5
Annual Management Charge	0.75% <sup>#</sup>
Ongoing Charges Figure (OCF)	0.79% <sup>^†</sup>
FundCalibre rating	ELITE
Morningstar rating	SILVER
Yield	–
Unit Type	ACC

## Fixed Interest

### Invesco Perpetual Monthly Income Plus

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

Chelsea Risk Rating	3.5
Annual Management Charge	0.67% <sup>#</sup>
Ongoing Charges Figure (OCF)	0.67% <sup>†</sup>
FundCalibre rating	ELITE
Morningstar rating	SILVER
Yield	4.25%
Unit Type	ACC or INC

### Janus Henderson Strategic Bond

Long-standing managers, Jenna Barnard and John Pattullo run this fund with up to 70% in high yield bonds. This 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% <sup>#</sup>
Ongoing Charges Figure (OCF)	0.69% <sup>†</sup>
FundCalibre rating	–
Morningstar rating	SILVER
Yield	3.50%
Unit Type	ACC or INC

### Jupiter Strategic Bond

The manager, Ariel Bezalel, seeks out the best opportunities within the fixed interest universe globally. He identifies debt issues he feels are mispriced using 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% <sup>#</sup>
Ongoing Charges Figure (OCF)	0.73% <sup>†</sup>
FundCalibre rating	ELITE
Morningstar rating	SILVER
Yield	3.30%
Unit Type	ACC or INC

N.B. Chelsea Risk Ratings are based on qualitative and quantitative research, not asset allocation. Please see page 30 for more information.

For performance statistics please refer to pages 22-23.

All data sourced from FE Analytics, 02/01/2018. Yields 16/01/2018, from Income units.

\* There is a performance fee payable to the fund manager on outperformance of the benchmark. 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). <sup>^</sup> Includes Chelsea discount.

§ There is a 20% performance fee payable to the fund manager relative to the hurdle rate and high watermark. See the KIID for further details.



## Fixed Interest *continued*

### Kames Investment Grade Bond

Co-managers Stephen Snowden and Euan McNeil target total return by investing mainly in global investment grade corporate bonds (at least 80%), however gilts, high yield bonds and cash are also held. A strong team ethic, together with their significant fixed income resource, influences both top-down strategy and bottom-up stock picking and the resulting portfolio typically has around 150 stocks. The fund pays out in January, April, July and October.

Chelsea Risk Rating	2.5
Annual Management Charge	0.75%#
Ongoing Charges Figure (OCF)	0.79%†
FundCalibre rating	ELITE 🚩
Morningstar rating	SILVER
Yield	2.59%
Unit Type	ACC or INC

### SPOTLIGHT Baillie Gifford Corporate Bond

Baillie Gifford have a long-standing reputation when it comes to fixed income, and this fund, run by Torcail Stewart, Stephen Rogers 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 Stephen 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
Annual Management Charge	0.50%#
Ongoing Charges Figure (OCF)	0.52%†
FundCalibre rating	ELITE 🚩
Morningstar rating	-
Yield	3.40%
Unit Type	ACC or INC

### TwentyFour Dynamic Bond

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

Chelsea Risk Rating	3.5
Annual Management Charge	0.75%#
Ongoing Charges Figure (OCF)	0.77%†
FundCalibre rating	ELITE 🚩
Morningstar rating	-
Yield	4.53%
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. The fund was re-structured and strengthened following the addition of Nigel Ridge in 2013. Since Nigel joined, the fund is now higher conviction but maintains a conservative net exposure to the wider stock market. The fund aims to add value through fundamental stock analysis. It will buy individual shares that are cheap but will also short-sell stocks it views as overvalued. The fund then combines these positions with a more conservative pair trading strategy, whereby it will buy one stock in a sector and simultaneously short-sell another in the same sector to hedge out the market risk.

Chelsea Risk Rating	4
Annual Management Charge	0.75% <sup>##</sup>
Ongoing Charges Figure (OCF)	0.92%†
FundCalibre rating	ELITE 🚩
Morningstar rating	BRONZE
Yield	-
Unit Type	ACC

### Janus Henderson UK Absolute Return

This is a stock-picking fund that aims to deliver 8-10% p.a. in all market conditions. The managers aim to identify stocks that will either exceed or fall short of analysts' expectations and construct a portfolio of both long and short positions. There are limits on the overall market exposure, which serve to reduce the volatility of the fund. Two thirds of the portfolio will be in shorter-term tactical ideas, where the managers believe an earnings surprise could be imminent. The remainder will be in core holdings, where the managers think there are long-term drivers in place that will either increase or decrease the share price over time.

Chelsea Risk Rating	4
Annual Management Charge	1.00% <sup>##</sup>
Ongoing Charges Figure (OCF)	1.06%†
FundCalibre rating	ELITE 🚩
Morningstar rating	BRONZE
Yield	-
Unit Type	ACC

### Old Mutual Global Equity Absolute Return Hedged

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

Chelsea Risk Rating	5
Annual Management Charge	0.75% <sup>##</sup>
Ongoing Charges Figure (OCF)	0.85%†
FundCalibre rating	ELITE 🚩
Morningstar rating	-
Yield	-
Unit Type	ACC

### NEW ENTRY 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	ACC 0.75% INC 0.88%#
Ongoing Charges Figure (OCF)	ACC 0.77% INC 0.91%†
FundCalibre rating	ELITE 🚩
Morningstar rating	-
Yield	0.84%
Unit Type	ACC or INC

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

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

This is our proprietary rating to aid you in your fund choice. Our research team assesses the overall risk of a fund by analysing a number of factors including: the level of risk involved in the region/sector in which the fund invests; the size of the companies within the fund; the number of stocks held; the risk controls imposed by the manager; the use of derivatives and currency issues. **We then assign a Chelsea Risk Rating to the fund, with 1 as the lowest risk and 10 the highest. See page 30 for further details.**