~ ISSUE 55 · MARCH 2023 ~

VIEWPOINT

THE MAGAZINE FOR CHELSEA INVESTORS

FEATURES:

REGULARS:

WELCOME TO VIEWPOINT

DR JOHN HOLDER
Chairman,
Chelsea

Welcome to the spring edition of Viewpoint. The end of the tax year is near, so don't forget to fully utilise your ISA allowance if you haven't already.

Rising living costs, coupled with cold weather and other pressures on our wallets, may see us looking around for other sources of income. Our main feature, "Investing for Income" on pages 22-28, showcases six different funds, all with a focus on paying out income.

And would you like to know more about our award-winning VT Chelsea Managed funds? Take a look at our fly-on-the-wall article on page 7 for a little insight. We hope you enjoy this edition of Viewpoint.

Call us on
020 7384 7300

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info@chelseafs.co.uk

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IN THIS ISSUE

MARKET VIEW

DARIUS MCDERMOTT
Managing director,
Chelsea

> EVERYONE HAS A PLAN 'TIL THEY GET PUNCHED IN THE MOUTH.

TIME TO BOX CLEVER

It is not often a quote by former heavyweight boxing champion of the world Mike Tyson is seen as either inspirational or educational - and it is even less common that it can be associated to finance.

Financial markets today also face a number of formidable foes in the shape of rising interest rates, inflation and the ongoing economic and geopolitical fallout from Russia's invasion of Ukraine.

If you just read the headlines you'd think now was simply a time to forget about investing and batten down the hatches. But volatility brings opportunities and that's what made me think of Iron Mike – if ever there was a time to forget your emotions and box clever in markets, this is it!

Let's be clear, there are challenges. We do appear to be heading towards the most telegraphed recession in history. The US bond yield curve is inverted – that means you can lend to the US government for two years and you'll get a higher yield than if you were lending to them for ten years. It's counter-intuitive and has signalled the start of every recession since 1960. However, recessions tend to come with higher unemployment, yet we are almost in full employment in the developed world – everything does not always follow the same pattern.

But back to the pessimism in markets – if you strip away that negative noise you'll notice that most asset classes actually bottomed in October 2022 and have performed strongly since. Global equities, for example, are up almost 5% in the past three months alone. Bonds and property investments have also bounced back from lows.

CAN THE INFLATION TREND BE REVERSED?

There is no doubt that rising inflation remains the major Damocles hanging over markets – the impact on the cost of living has made it feel like we are in recession, regardless of whether the official figures tell us so or not.

As at the time of writing, inflation stands at a lofty 10.5%** in the UK, yet the impression we get from many of the managers and economists we speak to, is that this figure will fall markedly in 2023.

That is good news for the bond market, where we are now seeing starting yields of 5%. This, coupled with a good opportunity for capital gains, makes the asset class an attractive option once again.

As for equities, I'll repeat what I said in the last issue. Now is not the time to run for cover – many markets have been hit hard and now look a lot cheaper from a valuation perspective. A year ago China was so risky it almost felt untouchable to an end-investor. However, attempts to tackle the troubled property sector, the relaxation of Covid restrictions, coupled with extremely attractive long-term valuations, mean China is becoming interesting again. The same can be said for Japan – where the domestic outlook is improving as the country re-opens its borders.

Then there is UK equities – which always seem to be in the eye of the storm. Take small-caps as an example - research from Montanaro shows that at 8.6x, UK Small Cap is now trading on its lowest P/E since 2009 - it was as high as 15.9x in December 2020**. Many of these innovative, manager-owned businesses have shown they can navigate challenging times and come out stronger – why should it be different on this occasion?

A number of quality UK mid-caps have also been hit hard purely on sentiment, while the UK remains the most mature market for income – which has recovered well from the challenge of Covid.

The final point I want to make is that we still have to save for the long term, regardless of current economic conditions. Losses are only losses if they are crystallised and pockets of value are appearing across many asset classes, geographies and sectors. I'd go back to the old mantra in investing circles that "it's about time in the markets, not timing the markets". For example, many nervous investors may want to consider monthly contributions to their portfolios in these uncertain times.

Remember, markets overshoot on the way up and on the way down – the last thing you want to do is miss out on the former from here.

***Source:** FE Analytics, total returns in pounds sterling for MSCI World, IA Sterling Corporate Bond Sector, FTSE EPRA Nareit Developed and IA Global Corporate Bond, figures from 12 October 2022 to 23 January 2023.
****Source:** Montanaro Asset Management – December 2022

THE ISA UPDATE

SAM HOLDER
Operations director,
Chelsea

WHY CHOOSE A CHELSEA STOCKS AND SHARES ISA?

An ISA is one of the most tax-efficient and easy ways of investing your money. You can contribute up to the maximum ISA allowance (currently £20,000) and any growth, returns or interest is tax-free.

This generous limit can make people think an ISA is only for those who have thousands of pounds to stash away, but this shiny tax-free wrapper is available to everyone.

PERSONAL SERVICE

It's easy to open an ISA through Chelsea. We have a small team, with names you can come back to year after year. Whether you invest over the phone, online or by post, our friendly, experienced staff will be on hand to help.

WHERE TO INVEST

For years clients have relied on our research and fund selection expertise to choose their own funds, but many said they wanted us to do it for them. In response, we created the VT Chelsea Managed funds, which offer a complete solution and are looked after by Chelsea's in-house research team. The funds have proved very popular, and many of our staff and their friends and family invest their money in them. The four funds are:

- **VT Chelsea Managed Cautious Growth**
- **VT Chelsea Managed Balanced Growth**
- **VT Chelsea Managed Aggressive Growth**
- **VT Chelsea Managed Monthly Income**

SEVEN REASONS TO CONSIDER A STOCKS & SHARES ISA

- 0% capital gains tax
- 0% tax on interest
- 0% tax on dividends
- Interest rates on cash savings remain low and are unlikely to rise meaningfully soon
- 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

THE 2022/23 ISA ALLOWANCES ARE AS FOLLOWS:

Chelsea ISA:
£20,000
tax-free every year.

Chelsea Junior ISA:
£9,000
tax-free for those under the age of 18.

END OF TAX YEAR DEADLINES

Telephone (with debit card) -
April 5th – 10pm

Online (with debit card) -
April 5th – 10pm

Cheque -
April 4th – 12pm

Investment fund to ISA - **March 27th**

Junior ISA - **April 4th**

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

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:

Learn more at **www.chelseafs.co.uk**

VT CHELSEA MANAGED
CAUTIOUS GROWTH

VT CHELSEA MANAGED
AGGRESSIVE GROWTH

VT CHELSEA MANAGED
BALANCED 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.

A DAY IN THE LIFE OF THE CHELSEA RESEARCH TEAM

THE CHELSEA RESEARCH TEAM (L TO R):

JOSS MURPHY
Junior research analyst

DARIUS MCDERMOTT
Managing director

JULIET SCHOOLING LATTER
Research director

JAMES YARDLEY, CFA
Senior research analyst

BREAKFAST

The day usually starts for the investment team at 7:45am. Joss ensures that all meeting preparations have been made effectively and, as the most junior member of the team, he is in charge of taking meeting notes and chairing the meeting (as well as getting the kettle on!). A couple of minutes after everyone arrives the team are tucking into the breakfast that James has bought for everyone as it's his turn on the rota.

MEETING REVIEWS

The meeting typically kicks off at 8am with a review of the fund manager meetings that have been attended by members of the team in the past week. On Monday morning Darius met with the portfolio managers of a Japanese fund, following a change in management due to the retirement of the lead manager. Darius wanted to evaluate how similar the new manager's investment philosophy and process are and whether he thought the fund was in capable hands. Darius was impressed, however, for the next year the fund will be closely monitored by the team.

A LOOK AT THE MARKETS

The team turns to look at how today's markets have opened. We also start to talk about the broader macroeconomic picture and what effect certain events would have on our funds. The Fed reveals the previous month's CPI inflation data at 1:30pm. The whole team shares the belief that inflation is starting to roll over and that CPI will come in lower than expected. If this is the case it should allow the Fed (US central bank) to pause on their interest rate rises as the economy will start to bear the pain of an economic slowdown.

TURNING OUR ATTENTION TO THE FUNDS

We then move on to how we should position the funds in light of our meetings and discussions. Joss first goes over the weekly performance of each fund against the sector and what holdings were the largest contributors and detractors. Juliet has flagged concerns about the debt involved in an acquisition that a property trust has made in our Monthly Income fund. She shares details about the acquisition and feels that in this high-rate environment the risk/reward profile of the trust has changed and it has become a less attractive proposition. We evaluate whether these elevated risks are yet to be fully reflected in the price and decide to recommend trimming our position size.

We discuss a couple more positions and decide to recommend making another partial sale and two more small buys across the funds. The flows into the funds from our clients come in at midday and we are delighted to see a large inflow into our Aggressive fund. We then stop to grab some lunch and return to evaluate the Fed's announcement at 1.30pm. We feel vindicated, as the Fed's CPI comes in below expectation, with the bond and stock market reacting positively to the news, to the team's delight.

FUND MANAGER MEETING

The whole team reconvene in the meeting room for our 2.30pm meeting with a Biotech manager who is coming in for a follow-up meeting. We want to get a deeper handle on her thoughts on the sector and some of the fund's holdings. Her past performance has been strong and she's particularly bullish on a position that specialises in creating a new drug to treat Alzheimer's. After the meeting ends the team evaluate the fund together for 30 minutes before concluding that it's a good opportunity that's most suitable for the Aggressive fund. It also gives us a chance to put the cash to work that came in at midday.

Darius negotiates a reduction on the AMC (annual management charge) of a new holding, which enables us to reduce the fund's OCF. Darius and Juliet wrap up the day with some media enquiries whilst James and Joss work on a financial model they are building on a holding that they think is undervalued.

VT CHELSEA MANAGED

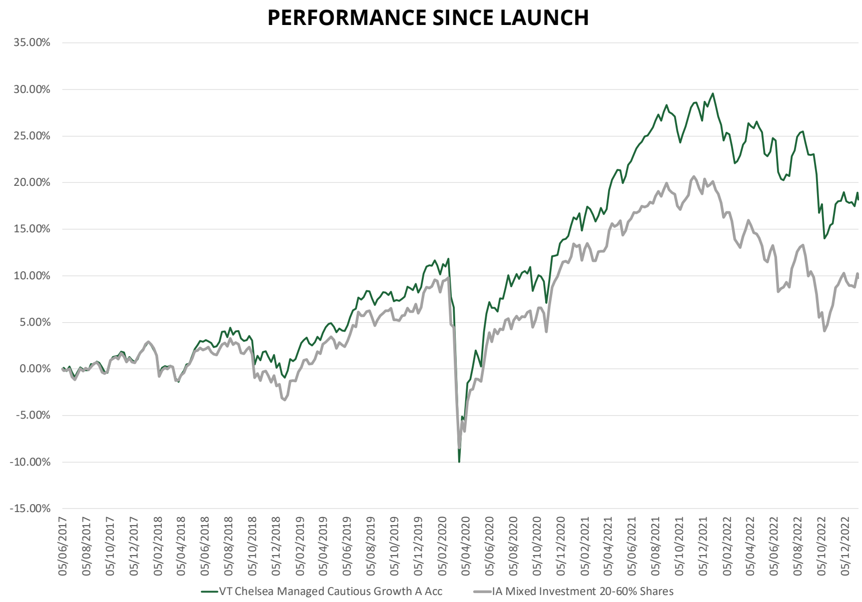
CAUTIOUS GROWTH

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.

KEY FACTS:

Ongoing charges figure:	1.21%
Payment dates:	30th Jun, 31ST Dec
Indicated yield:	2.27%
Performance since launch:	18.67%
Sector average:	10.42%
Chelsea Risk Rating:	4



Source: FE fundinfo 05/06/2017 - 09/01/2023, total returns in sterling

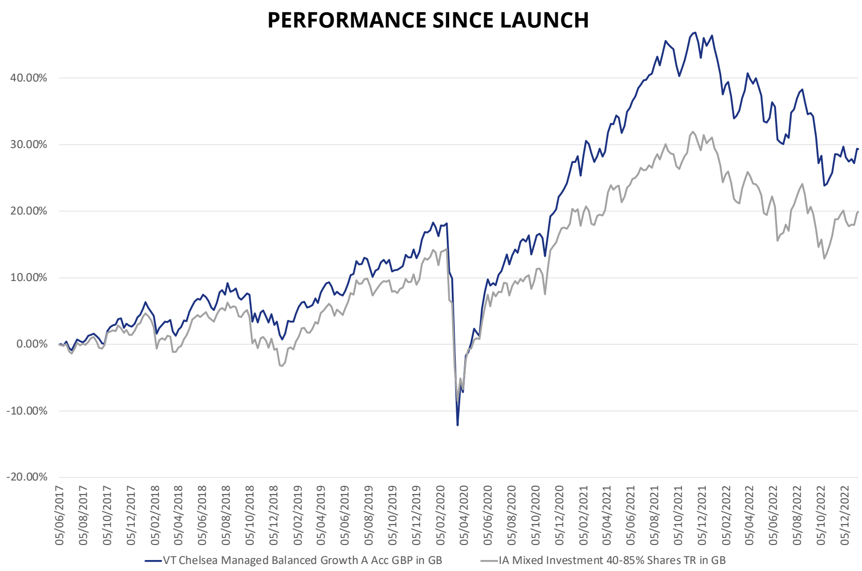
BALANCED GROWTH

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†.

KEY FACTS:

Ongoing charges figure:	1.16%
Payment dates:	N/A
Indicated yield:	N/A
Performance since launch:	29.31%
Sector average:	19.92%
Chelsea Risk Rating:	5.5



Source: FE fundinfo 05/06/2017 - 09/01/2023, total returns in sterling

WHAT ARE THE RISKS?

Past performance is not a reliable guide to future returns. 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.

AGGRESSIVE GROWTH

OUR PUREST GROWTH PLAY

Quite simply, the aggressive fund aims to grow your money over the long term using our purest 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.

KEY FACTS:

Ongoing charges figure:	**1.13%**
Payment dates:	**N/A**
Indicated yield:	**N/A**
Performance since launch:	**37.43%**
Sector average:	**48.38%**
Chelsea Risk Rating:	**7**

PERFORMANCE SINCE LAUNCH

Source: FE fundinfo 05/06/2017 - 09/01/2023, total returns in sterling

MONTHLY INCOME

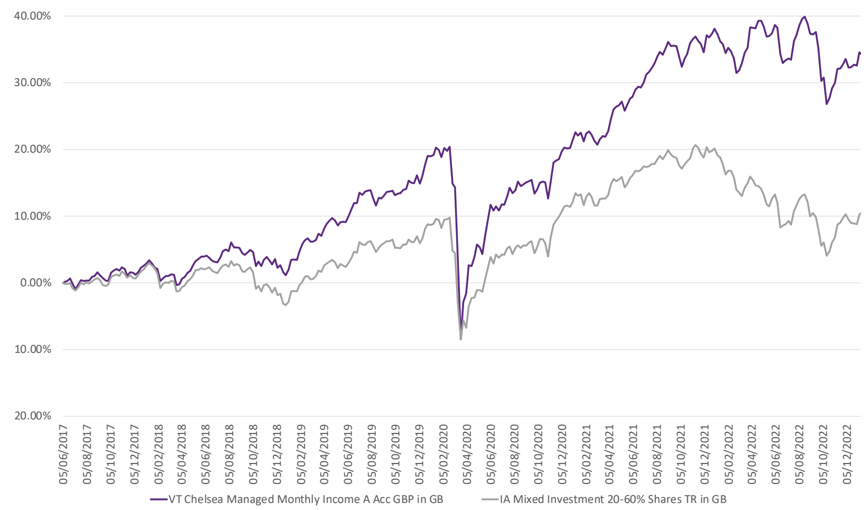
OUR FUND FOR YIELD

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†.

KEY FACTS:

Ongoing charges figure:	**1.15%**
Payment dates:	**Monthly**
Indicated yield:	**4.44%**
Performance since launch:	**34.31%**
Sector average:	**10.42%**
Chelsea Risk Rating:	**4.5**

PERFORMANCE SINCE LAUNCH



Source: FE fundinfo 05/06/2017 - 09/01/2023, total returns in sterling

WHAT ARE THE RISKS?

Past performance is not a reliable guide to future returns. 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.

MORE INFORMATION »

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 31/10/2022.

† 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

IFSL 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	0.47%
UNIT TYPE	INC

IFSL MARLBOROUGH UK MICRO CAP GROWTH

This fund has one of the best track records in the industry. Guy Feld & Eustace Santa Barbara are co-managers of this fund, while veteran founder manager Giles Hargreave stepped back from his fund manager role in January 2021. The team are some of the best small-cap investors in the country and invest in a well-diversified portfolio of companies at the bottom of the market, below £250m in size. They have a growth bias, looking for those companies 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 of 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)	0.80%†
FUNDCALIBRE RATING	ELITE
MORNINGSTAR RATING	-
YIELD	0.12%
UNIT TYPE	ACC

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	BRONZE
YIELD	2.27%
UNIT TYPE	ACC or INC

LF GRESHAM HOUSE UK MICRO CAP

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	-
UNIT TYPE	ACC or INC

LF LINDSELL TRAIN UK EQUITY

Nick Train is one of the 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)	0.64%†
FUNDCALIBRE RATING	ELITE
MORNINGSTAR RATING	GOLD
YIELD	1.95%
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)	0.81%†
FUNDCALIBRE RATING	ELITE
MORNINGSTAR RATING	BRONZE
YIELD	1.56%
UNIT TYPE	ACC or INC

MI CHELVERTON UK EQUITY GROWTH

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. James is supported by co-manager Edward Booth. 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 to analyse further.

CHELSEA RISK RATING	7.5
ANNUAL MANAGEMENT CHARGE	0.75%#
ONGOING CHARGES FIGURE (OCF)	0.85%†
FUNDCALIBRE RATING	ELITE
MORNINGSTAR RATING	-
YIELD	0.27%
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 31 for further details.**

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	3.59%
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)	0.91%†
FUNDCALIBRE RATING	ELITE
MORNINGSTAR RATING	SILVER
YIELD	2.73%
UNIT TYPE	ACC or INC

LF MONTANARO UK INCOME SEED**

Montanaro are specialists in small and medium-sized companies. This fund is co-managed by industry veteran Charles Montanaro and Guido Dacie-Lombardo 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	0.35%#^
ONGOING CHARGES FIGURE (OCF)	0.44%†^
FUNDCALIBRE RATING	ELITE
MORNINGSTAR RATING	-
YIELD	3.60%
UNIT TYPE	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	0.00%#
ONGOING CHARGES FIGURE (OCF)	0.66%†
FUNDCALIBRE RATING	ELITE
MORNINGSTAR RATING	BRONZE
YIELD	2.88%
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	5.31%
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	0.87%#
ONGOING CHARGES FIGURE (OCF)	0.87%†
FUNDCALIBRE RATING	ELITE
MORNINGSTAR RATING	-
YIELD	2.80%
UNIT TYPE	ACC or INC

TB GUINNESS GLOBAL EQUITY INCOME

Co-managed by Dr Ian Mortimer and Matthew Page, this fund has an equally-weighted portfolio of 35 stocks to generate a modest income alongside capital growth for investors. The managers are unconstrained by any benchmark and can therefore invest wherever they see the best opportunities. They have a well-defined process, focusing only on firms which are generating returns above their cost of capital, and which are generating good cashflows. This allows them to pay a sustainable dividend, as well as reinvesting in growing their business. Stocks will also need to show an attractive valuation opportunity, meaning the portfolio will be a balance of styles and be able to weather a variety of market conditions. Income is paid in January and July.

CHELSEA RISK RATING	6.5
ANNUAL MANAGEMENT CHARGE	0.79%
ONGOING CHARGES FIGURE (OCF)	0.79%
FUNDCALIBRE RATING	ELITE
MORNINGSTAR RATING	-
YIELD	2.40%
UNIT TYPE	ACC or INC

N.B. Chelsea Risk Ratings are based on qualitative and quantitative research, not asset allocation. Please see page 31 for more information. For performance statistics please refer to pages 18-19.

Data sourced from FE (Financial Express) fund info for period up to 09/01/2023 as at 11/01/2023. Yields as at 09/01/2023 and taken from Income units where applicable.

* A performance fee may be applied, see the Key Investor Information Document for further details.

** Cheaper share class available. Please contact us on 020 7384 7300.

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).

† 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.

^ Includes Chelsea discount.

EUROPE

BLACKROCK EUROPEAN DYNAMIC

Giles Rothbarth took over sole charge of the fund in January 2020, after Alister Hibbert stepped down as lead manager, and he runs it with the same conviction and flexibility, being prepared to have large over and underweight positions at both the stock and sector level. The fund primarily focuses on large-cap companies, though can hold some more medium-sized stocks, and will move between different styles depending on the stock and economic backdrop. This means turnover can often be higher than its peers and the portfolio is concentrated, with around 50 holdings. Giles has the support of BlackRock's very well-resourced European equity team, which we consider to be one of the best around.

CHELSEA RISK RATING	7
ANNUAL MANAGEMENT CHARGE	0.75%#
ONGOING CHARGES FIGURE (OCF)	0.91%†
FUNDCALIBRE RATING	RADAR
MORNINGSTAR RATING	SILVER
YIELD	-
UNIT TYPE	ACC or INC

CT EUROPEAN SELECT

Manager Ben Moore 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. He 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)	0.80%†
FUNDCALIBRE RATING	RADAR
MORNINGSTAR RATING	NEUTRAL
YIELD	0.34%
UNIT TYPE	ACC or INC

FTF 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, 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)	0.89%†
FUNDCALIBRE RATING	ELITE
MORNINGSTAR RATING	-
YIELD	0.54%
UNIT TYPE	ACC or INC

IFSL MARLBOROUGH EUROPEAN SPECIAL SITUATIONS

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)	0.79%†
FUNDCALIBRE RATING	ELITE
MORNINGSTAR RATING	-
YIELD	2.05%
UNIT TYPE	INC

PREMIER 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)	0.82%†
FUNDCALIBRE RATING	ELITE
MORNINGSTAR RATING	-
YIELD	0.40%
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	-
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	1.13%
UNIT TYPE	ACC or INC

PREMIER 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 and 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)	0.83%†
FUNDCALIBRE RATING	ELITE
MORNINGSTAR RATING	-
YIELD	0.11%
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 31 for further details.

ASIA PACIFIC, JAPAN AND EMERGING MARKETS

BAILLIE GIFFORD JAPANESE

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	1.53%
UNIT TYPE	ACC or INC

BAILLIE GIFFORD PACIFIC

This is an unconstrained equity fund, looking to invest for the long term in companies benefiting from the developing trends in the Asia ex-Japan region. Lead manager Roderick Snell takes a pragmatic approach to growth with this fund. He is looking for firms on the right side of disruption, those which will benefit from new technological or societal trends such as online shopping or increasing healthcare demand. However, he may take exposure to this through slightly different angles, such as copper miners for technology rather than manufacturers themselves, depending on where the best valuation opportunities lie at the time. The fund will have between 50 and 100 holdings and is typically very different to its benchmark.

CHELSEA RISK RATING	8.5
ANNUAL MANAGEMENT CHARGE	0.65%#
ONGOING CHARGES FIGURE (OCF)	0.76%†
FUNDCALIBRE RATING	-
MORNINGSTAR RATING	-
YIELD	0.43%
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 investor 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	SILVER
YIELD	-
UNIT TYPE	ACC

FSSA GREATER CHINA GROWTH

This specialist fund builds a concentrated portfolio of the best 50-60 ideas from across the Chinese, Hong-Kong and Taiwanese stock markets. Manager Martin Lau is highly experienced and very knowledgeable in this space and looks for well-managed businesses, with a strong focus on good corporate governance. These are found through individual company research. Martin looks for quality companies with barriers to entry, pricing power and sustainable growth. He also has a strict valuation discipline and won't overpay for fashionable stocks if the fundamentals are not there. Over the long term, this fund has consistently been one of the best performers in the sector. Given the single-country nature of the fund, it can be volatile.

CHELSEA RISK RATING	10
ANNUAL MANAGEMENT CHARGE	1.00%#
ONGOING CHARGES FIGURE (OCF)	1.07%†
FUNDCALIBRE RATING	ELITE
MORNINGSTAR RATING	SILVER
YIELD	1.10%
UNIT TYPE	ACC

JPM JAPAN

SPOTLIGHT

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

CHELSEA RISK RATING	10
ANNUAL MANAGEMENT CHARGE	0.75%#
ONGOING CHARGES FIGURE (OCF)	0.81%†
FUNDCALIBRE RATING	-
MORNINGSTAR RATING	Gold
YIELD	0.03%
UNIT TYPE	ACC or INC

REDWHEEL 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)	1.25%†
FUNDCALIBRE RATING	-
MORNINGSTAR RATING	-
YIELD	-
UNIT TYPE	ACC or INC

STEWART INVESTORS ASIA PACIFIC LEADERS SUSTAINABILITY

The fund is managed by David Gait and Sashi Reddy. They have a 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	0.80%#
ONGOING CHARGES FIGURE (OCF)	0.84%†
FUNDCALIBRE RATING	ELITE
MORNINGSTAR RATING	BRONZE
YIELD	0.28%
UNIT TYPE	ACC or INC

N.B. Chelsea Risk Ratings are based on qualitative and quantitative research, not asset allocation. Please see page 31 for more information. For performance statistics please refer to pages 18-19.

Data sourced from FE (Financial Express) fund info for period up to 09/01/2023 as at 11/01/2023. Yields as at 09/01/2023 and taken from Income units where applicable.

- ***** A performance fee may be applied, see the Key Investor Information Document for further details.
- ****** Cheaper share class available. Please contact us on 020 7384 7300.
- **#** 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).
- **†** 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.
- **^** Includes Chelsea discount.

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	GOLD
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. 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)	0.94%†
FUNDCALIBRE RATING	ELITE
MORNINGSTAR RATING	SILVER
YIELD	-
UNIT TYPE	ACC or INC

NINETY ONE GLOBAL ENVIRONMENT

This is a highly concentrated global equities fund, finding companies that benefit from the movement to a decarbonised economy. Co-managers Deirdre Cooper and Graeme Baker have a fairly unique process which scores companies based on carbon emissions displaced throughout the supply chain, as well as thorough analysis of the company financials. The fund will only have 20-40 stocks from across both developed and emerging markets meaning it can look and perform very differently from its peers.

CHELSEA RISK RATING	7.5
ANNUAL MANAGEMENT CHARGE	0.65%#
ONGOING CHARGES FIGURE (OCF)	0.76%†
FUNDCALIBRE RATING	RADAR
MORNINGSTAR RATING	-
YIELD	0.71%
UNIT TYPE	ACC or INC

RATHBONE GLOBAL OPPORTUNITIES

SPOTLIGHT

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	0.75%^#
ONGOING CHARGES FIGURE (OCF)	0.78%^†
FUNDCALIBRE RATING	ELITE
MORNINGSTAR RATING	BRONZE
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)	0.62%^†
FUNDCALIBRE RATING	ELITE
MORNINGSTAR RATING	-
YIELD	-
UNIT TYPE	ACC

FIXED INTEREST

ARTEMIS CORPORATE BOND

Manager Stephen Snowden, ably supported by his team, invests in investment grade corporate bonds in this fund, with some ability to allocate across the wider fixed income market if special opportunities arise. He takes a long-term strategic and thematic view, but will also take advantage of short-term opportunities when they present themselves. As well as assessing the wider macroeconomic picture, Stephen will do deep analysis of the fundamentals of the company behind the bond issue to ensure the portfolio can benefit from both superior stock selection, and perform in any economic climate. Income is paid in January, April, July and October.

CHELSEA RISK RATING	2.5
ANNUAL MANAGEMENT CHARGE	0.25%#
ONGOING CHARGES FIGURE (OCF)	0.37%†
FUNDCALIBRE RATING	ELITE
MORNINGSTAR RATING	-
YIELD	4.79%
UNIT TYPE	ACC or INC

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)	0.70%†
FUNDCALIBRE RATING	-
MORNINGSTAR RATING	SILVER
YIELD	3.40%
UNIT TYPE	ACC or INC

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 31 for further details.**

FIXED INTEREST (CONT)

MAN GLG HIGH YIELD OPPORTUNITIES

NEW ENTRY

Man GLG High Yield Opportunities is an unconstrained, concentrated global high yield bond fund, driven by individual bond selection, but guided by top-down thematic ideas. Manager Mike Scott is ably supported by a team of internal credit analysts who conduct a rigorous analysis of every potential holding and their ability to meet debt obligations. Mike is very experienced and has an excellent track record in navigating the extra risk in the sector whilst achieving above average returns. Income is paid monthly.

CHELSEA RISK RATING	4
ANNUAL MANAGEMENT CHARGE	0.01%#
ONGOING CHARGES FIGURE (OCF)	0.75%†
FUNDCALIBRE RATING	ELITE
MORNINGSTAR RATING	-
YIELD	6.78%
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. Income is paid in February and August.

CHELSEA RISK RATING	4.5
ANNUAL MANAGEMENT CHARGE	0.00%#
ONGOING CHARGES FIGURE (OCF)	0.70%†
FUNDCALIBRE RATING	ELITE
MORNINGSTAR RATING	-
YIELD	5.93%
UNIT TYPE	ACC or INC

NOMURA GLOBAL DYNAMIC BOND (HEDGED)

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 skill set 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)	0.72%†
FUNDCALIBRE RATING	ELITE
MORNINGSTAR RATING	-
YIELD	3.76%
UNIT TYPE	ACC or INC

RATHBONE ETHICAL BOND

This fund has been an early pioneer in the ethical fixed income space, and has the credentials to back it up, with manager Bryn Jones having been at the helm for more than 15 years. The fund has clear ethical exclusions, including mining, arms and gambling, which removes approximately one third of the index. Every position must also have at least one positive ESG quality. Bryn is looking for a relatively high income from this portfolio of approximately 80-200 stocks. He will move his allocations depending on his confidence in the economic and political outlook, as well as tapping into any structural themes he sees developing. Income is paid in February, May, August and November.

CHELSEA RISK RATING	2.5
ANNUAL MANAGEMENT CHARGE	0.63%#
ONGOING CHARGES FIGURE (OCF)	0.66%†
FUNDCALIBRE RATING	-
MORNINGSTAR RATING	-
YIELD	4.50%
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. Income is paid in March, June, September and December.

CHELSEA RISK RATING	3.5
ANNUAL MANAGEMENT CHARGE	0.75%#
ONGOING CHARGES FIGURE (OCF)	0.79%†
FUNDCALIBRE RATING	ELITE
MORNINGSTAR RATING	-
YIELD	4.20%
UNIT TYPE	ACC or INC

N.B. Chelsea Risk Ratings are based on qualitative and quantitative research, not asset allocation. Please see page 31 for more information. For performance statistics please refer to pages 18-19.

Data sourced from FE (Financial Express) fund info for period up to 09/01/2023 as at 11/01/2023. Yields as at 09/01/2023 and taken from Income units where applicable.

- ***** A performance fee may be applied, see the Key Investor Information Document for further details.
- ****** Cheaper share class available. Please contact us on 020 7384 7300.
- **#** 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).
- **†** 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.
- **^** Includes Chelsea discount.

CORE SELECTION SPOTLIGHT

NICHOLAS WEINDLING

Fund manager,
JPM Japan

My name is Nicholas Weindling, the portfolio manager of the JPM Japan Fund. I have been based in Japan for over eighteen years, including two years living in the very far north where there are few foreigners, the temperature regularly falls to -25 degrees Celsius and there are signs warning about bears. In that time I have seen many contrasting parts of Japan and observed first hand the substantial changes that have been happening here. I have been managing the JPM Japan fund for the past 10 years, supported by a large team based over here in Tokyo.

Our Japan equity team has been managing Japanese equities since 1969. Over that time we have become one of the largest managers of Japanese equities. Crucial to this success is the depth and breadth of experience we have built, with over 20 portfolio managers and analysts based in Tokyo, which we combine with the insights from JPMorgan Asset Management's analysts all over the world. Although Japan has an image of being technologically very advanced, it is actually lagging in many areas and it can be very powerful to look at global trends identified by those analysts and think how they may develop in a Japanese context. In Japan we conduct over 4,000 company visits a year – even during the pandemic period, the number didn't drop, when Japan was completely shut for overseas visitors. Being on the ground gives our team unique insights and access that managers from other parts of the world don't have.

The JPM Japan fund is a best ideas type strategy. If we don't like it, we don't hold it. Using the unique insights from our portfolio management team and analysts, we create a portfolio of higher quality and growth companies highlighted by our bottom-up fundamental research. Structural changes in Japan have created many opportunities – such as the decrease in Japanese research and coverage, creating an information advantage for those managers who remain on the ground. The opportunity for adding alpha has never been stronger and this can be found across the market capitalisation spectrum.

LONG-TERM TRENDS

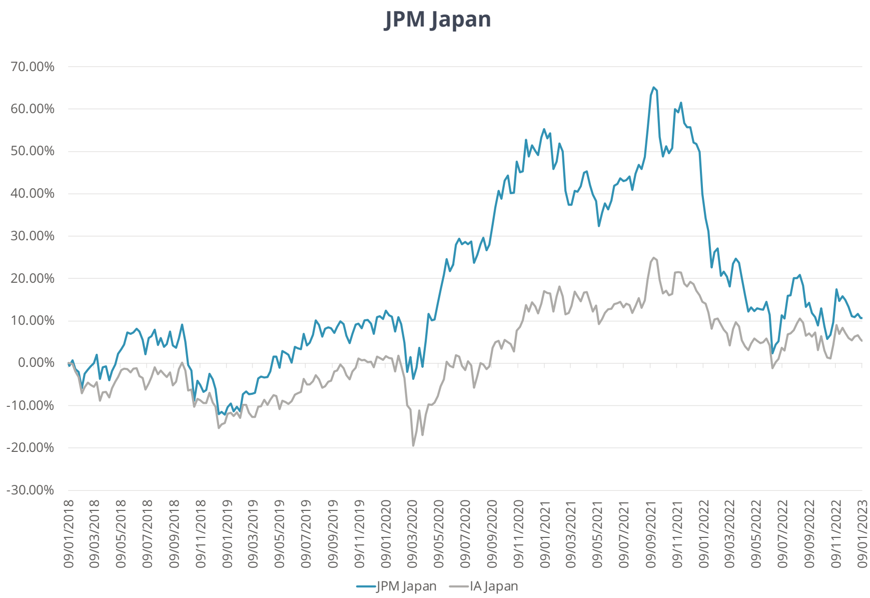
We think that long-term structural trends in Japan are at a very early stage compared with the rest of the world. These trends include growth in e-commerce which still accounts for less than 10% of total retail sales, digitalization at many companies which exist in a largely paper-based world, increasing automation of many industries, the ageing population and a push towards higher use of renewable energy in Japan. I was shocked at the weekend to stop at a service station on the equivalent of the M6 motorway to be confronted by a 'cash only' sign which speaks to the opportunity in areas like cashless payments. These are all trends that we believe will continue to grow over the longer term regardless of short-term developments in the market.

THE CHELSEA VIEW

Nicholas is on the ground in Japan and has the backing of a strong team. Whilst his style of investing has struggled over the past year and is not for the risk-averse investor, we believe that he is well placed to seek out the winners in Japan over the long term.

Our key long-term holdings include Keyence, a dominant global leader in manufacturing sensors for factory automation, which has been able to maintain one of the highest growth rates and profitability among global automation companies (50% operating margin) amid rising automation demand; Recruit, the operator of a worldwide employment-related search engine for job listings; INDEED, which is so different to the traditional Japanese company that its CEO is based in Texas; and Fast Retailing, the operator of the Uniqlo clothing brand, the number one apparel brand in Japan, which now has substantially more stores overseas – I am writing this article wearing three of their items!

We believe the companies we own are the winners/innovators in their field. This leads us to an aggressively-managed portfolio of high-conviction stocks, driving high returns over the long term. Whilst this can lead to volatile returns, it has been proved to deliver significant long-term outperformance.



Source: FE fundinfo, 09/01/2018 to 09/01/2023, total returns, net of fees, in sterling.

CORE SELECTION SPOTLIGHT

JAMES THOMSON

Fund manager,
Rathbone Global Opportunities
Elite Rated by FundCalibre

Having grown up in Bermuda and attended university in the US, I joined Rathbones 22 years ago, becoming the lead manager on the Rathbone Global Opportunities fund in 2003. Long walks on the beach and suncream aren't as much a part of my daily routine now, but my life is filled with plenty of bright spots. The Rathbone Global Opportunities fund was designed around our strengths and to be flexible enough to be a repeatable success. It's the only strategy I manage; it has my complete attention. It's a global stock-picking fund, which invests in a small number of higher quality growth stocks. Along with fund manager Sammy Dow, we search developed countries for innovative and scalable businesses that are growing fast and shaking up their industries. To be successful, we believe companies have to offer something that others can't match – a star quality, resilience and a future-proofed business.

They must be easy to understand, different from competitors, durable to change and difficult to imitate. Companies must have a plan to grow rapidly without overstretching their resources.

FINDING THE SWEET SPOT

We buy companies of all sizes, but our sweet spot is mid-sized growth businesses in developed markets, avoiding those which have previously performed poorly, preferring an unblemished past. We avoid investing in unpredictable sectors with poor growth prospects or early-stage businesses. To reduce risk, we hold a defensive bucket of companies with slow and steady growth that should be less sensitive to the economy.

In 2022, we had so many false dawns and failed rallies that the market seemed to be training us to believe that any move higher is just another bear market rally. That's why we can't fixate on precise timings or bearishness and must anchor ourselves to a long-term strategy.

It may not be fashionable, but we're positioned for inflation to roll over and the potential for markets to move sharply higher. We can debate the timing, but it would be triggered by the defining moment of 2023...a US Federal Reserve (Fed) pivot.

History tells us that in "inflationary bear markets" such as in the 1960s, stocks bottom out once inflation peaks, allowing the Fed to pivot away from hawkishness i.e. raising interest rates. In the 1960s, when the Fed didn't engage in forward guidance, outright rate cuts were the catalyst to look for. Today, the catalyst could be Fed rhetoric shifting away from inflation concerns towards growth. The rebound is unlikely to be gradual or predictable – the best returns come when you least expect them.

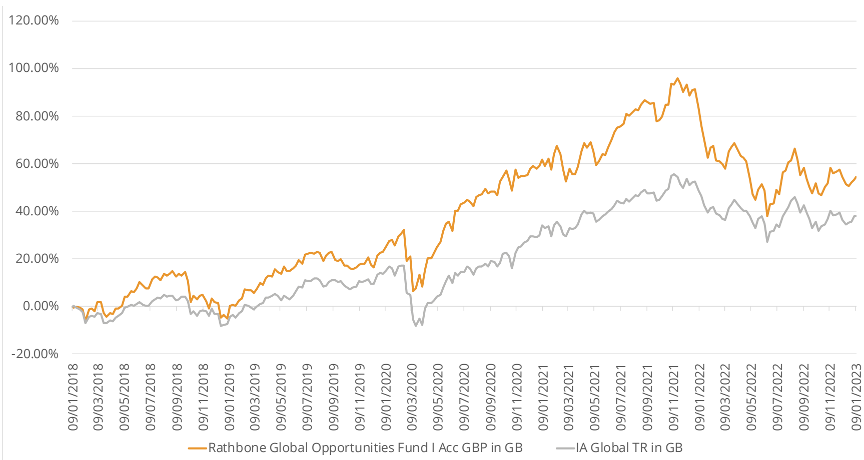
But that doesn't mean we must maintain the status quo. Many growth stocks are unlikely to regain their pre-inflation era multiples.

THE CHELSEA VIEW

James has a strong long-term track record with this fund, albeit that his 'growth' style of investing struggled last year. James identifies global themes and invests in them for the long term and we like his strong stockpicking and the unconstrained nature of this fund.

So, whilst we will always invest for the long term, we shouldn't anchor ourselves to stocks dogmatically, when the facts and future change. Rather than burying our heads in the sand and wishing for a drop in inflation to bring a revival, we changed about 20% of the portfolio in 2022, replacing stocks like Uber, Shopify, Align, Match, Signature Bank and Silicon Valley Bank with higher-quality growth, more predictable, resilient and cycle-tested companies where we believe the strong will get stronger over the coming years. Examples include Apple, LVMH, Home Depot, Boston Scientific, Mondelez, Coke and McDonalds. We would never claim these are unheard-of companies, but it's the underestimated potential for revenue and earnings growth and resilience in the face of recession that we're evaluating to qualify as under-the-radar high-quality growth. These companies have been on our 'watch list' for many years but we've used this sell-off in markets to buy some of the best growth stocks in the world for 2023.

Rathbone Global Opportunities



Source: FE fundinfo, 09/01/2018 to 09/01/2023, total returns, net of fees, in sterling.

THE CHELSEA SELECTION

	Elite Rating	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	-6.61	148	17.93	14	25.53	25	138.07	14	2.95	£1,444
IFSL Marlborough Multi-Cap Growth		7	-21.37	234	-4.23	180	1.40	195	118.60	30	0.47	£199
IFSL Marlborough Special Situations		7.5	-29.33	248	-0.28	158	2.59	186	143.42	10	0.56	£1,014
JOHCM UK Dynamic		6.5	3.66	37	7.27	98	14.68	103	113.17	35	2.27	£1,373
Jupiter UK Special Situations		6	8.29	4	14.28	20	22.22	33	116.60	32	3.26	£2,074
LF Lindsell Train UK Equity		6.5	-2.86	124	4.48	119	26.84	19	168.24	6	1.95	£4,597
Liontrust Special Situations		6	-8.10	154	7.63	95	26.78	20	139.18	13	1.56	£5,088
MI Chelverton UK Equity Growth		7.5	-20.15	230	18.81	13	49.66	1	-	-	0.27	£1,036
Schroder Recovery		7.5	2.15	75	17.08	15	20.77	37	117.87	31	2.83	£1,102
Slater Growth		7	-21.45	235	9.44	69	28.74	14	179.47	4	-	£1,003
VT Downing Unique Opportunities		7	-15.46	207	-	-	-	-	-	-	-	£50
Sector Average			**-6.13**	**253**	**2.96**	**242**	**10.82**	**232**	**83.36**	**200**	**-**	**-**
UK EQUITY INCOME												
Artemis Income		5	2.56	35	11.12	21	22.61	12	105.85	15	3.96	£4,680
IFSL Marlborough Multi Cap Income		7	-17.78	80	-12.82	78	-5.55	73	84.73	36	5.20	£636
Janus Henderson UK Responsible Income		6	-1.51	55	5.35	50	19.16	23	113.16	13	4.60	£489
JOHCM UK Equity Income	-	7	0.47	47	8.71	32	11.76	48	103.46	16	3.92	£1,682
LF Gresham House UK Multi Cap Income		7.5	-5.16	66	12.56	13	41.60	1	-	-	3.95	£388
LF Montanaro UK Income Seed^†		7.5	-19.37	225/253	-6.65	197/242	8.74	146/232	119.80	27/200	3.60	£649
Man GLG Income**		6.5	6.18	16	6.41	44	19.28	22	126.73	3	5.31	£1,384
Rathbone Income		5	1.22	44	10.23	26	19.57	20	101.07	18	4.43	£757
TB Evenlode Income^		5	-0.29	100/253	7.00	102/242	32.17	12/232	162.43	8/200	2.80	£3,562
Sector Average			**0.06**	**82**	**11.39**	**79**	**14.59**	**76**	**89.61**	**64**	**-**	**-**
UK SMALLER COMPANIES												
IFSL Marlborough UK Micro-Cap Growth		8	-31.91	43	2.87	16	9.97	20	167.75	9	0.12	£890
LF Gresham House UK Micro Cap		8	-29.47	39	-5.77	28	12.99	13	203.19	5	-	£220
Liontrust UK Micro Cap		8	-16.03	9	23.31	3	63.87	1	-	-	-	£175
TB Amati UK Listed Smaller Companies**		8	-23.94	25	-7.42	32	11.85	16	186.62	6	2.00	£655
Sector Average			**-22.95**	**50**	**-0.44**	**49**	**8.84**	**47**	**128.96**	**43**	**-**	**-**
STERLING CORPORATE BOND												
Artemis Corporate Bond		2.5	-13.89	37	-3.64	8	-	-	-	-	4.79	£1,021
BlackRock Corporate Bond		2.5	-13.92	39	-10.12	39	-3.02	28	27.80	5	3.72	£907
Man GLG Sterling Corporate Bond NEW ENTRY	-	2.5	-10.58	21	-	-	-	-	-	-	-	£309
Rathbone Ethical Bond		2.5	-15.58	54	-9.52	37	-1.37	20	37.81	2	4.50	£2,192
Royal London Corporate Bond		2.5	-14.58	40	-8.21	31	0.12	13	35.16	3	4.17	£1,026
TwentyFour Corporate Bond		2.5	-16.10	68	-12.57	59	-6.46	60	-	-	3.42	£1,422
Sector Average			**-16.46**	**101**	**-9.73**	**97**	**-3.64**	**92**	**25.82**	**67**	**-**	**-**
STERLING HIGH YIELD BOND												
Baillie Gifford High Yield Bond		4	-11.82	27	-7.19	29	0.70	23	32.99	11	5.70	£595
Man GLG High Yield Opportunities		4	-8.68	13	16.42	1	-	-	-	-	6.78	£244
Sector Average			**-8.63**	**33**	**-1.69**	**30**	**5.28**	**26**	**31.53**	**18**	**-**	**-**
STERLING STRATEGIC BOND												
Aegon Strategic Bond		4	-13.24	66	2.00	14	10.71	12	30.40	20	6.07	£421
GAM Star Credit Opportunities		4	-11.54	54	-4.60	43	1.48	34	70.85	2	4.70	539
Janus Henderson Strategic Bond**	-	3	-15.45	76	-7.21	56	0.36	44	25.89	31	3.40	£2,912
Jupiter Strategic Bond		2.5	-13.25	67	-7.44	57	-0.18	45	24.82	32	4.67	£3,493
Nomura Global Dynamic Bond (Hedged)#		4	-14.25	70	-4.40	41	8.19	14	-	-	3.76	£2,199
TwentyFour Dynamic Bond		3.5	-11.79	55	-4.56	42	1.72	33	36.11	12	4.20	£1,548
Sector Average			**-9.56**	**86**	**-3.69**	**78**	**2.62**	**68**	**26.11**	**50**	**-**	**-**
TARGETED ABSOLUTE RETURN*												
Janus Henderson Absolute Return		4	-0.66	-	6.09	-	7.75	-	49.19	-	0.30	£1,193
Sector Average			**-0.14**	**-**	**5.61**	**-**	**6.78**	**-**	**24.76**	**-**	**-**	**-**
EUROPE EXCLUDING UK												
BlackRock Continental European Income		7	-3.23	84	19.12	63	28.95	54	163.58	17	3.59	£1,483
BlackRock European Dynamic		7	-12.15	130	30.97	9	47.12	10	214.92	4	-	£3,911
CT European Select		7	-9.67	121	17.18	74	33.24	25	155.19	26	0.34	£1,321
FTF Martin Currie European Unconstrained		7.5	-22.06	142	8.72	114	30.18	37	124.35	62	0.54	£76
IFSL Marlborough European Special Situations		8	-13.41	132	42.71	5	52.28	7	281.53	1	2.05	£334
Jupiter European Smaller Companies^		8	-19.68	19/29	-	-	-	-	-	-	0.61	£19
Premier Miton European Opportunities		7.5	-17.34	138	23.32	32	58.51	6	-	-	0.40	£1,698
Sector Average			**-3.89**	**146**	**19.16**	**135**	**24.81**	**124**	**133.31**	**93**	**-**	**-**
NORTH AMERICA												
AXA Framlington American Growth		7	-13.53	186	34.93	49	88.45	7	329.20	11	-	£880
Baillie Gifford American**		7.5	-44.35	234	1.52	209	48.08	154	286.55	52	-	£2,581
Brown Advisory US Flexible Equity**#		7	-8.71	154	26.48	140	66.03	61	-	-	1.02	£468
Fidelity Index US	-	7	-6.20	109	33.06	67	69.88	33	310.91	17	1.13	£3,641
FTF Martin Currie US Unconstrained		7	-22.75	216	9.85	201	52.70	131	234.45	95	-	£124

	Elite Rating	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)
◌ **Premier Miton US Opportunities**	⚑	7	-3.86	76	43.76	14	71.77	28	-	-	0.11	£1,501
Sector Average			**-6.89**	**236**	**28.65**	**215**	**59.10**	**191**	**255.06**	**116**	**-**	**-**
JAPAN												
◌ **Baillie Gifford Japanese****	⚑	10	-12.79	71	0.68	60	2.71	48	188.75	3	1.53	£2,750
FSSA Japan Focus	⚑	10	-19.58	85	0.98	57	18.25	5	-	-	-	£239
◌ **JPM Japan** SPOTLIGHT	-	10	-20.88	87	-1.38	65	10.73	14	201.17	2	0.03	£1,044
Jupiter Japan Income	-	9.5	-7.57	42	6.20	21	18.93	4	160.29	10	2.50	£923
M&G Japan	⚐	10	4.98	4	23.27	3	10.05	18	180.06	4	1.69	£344
Pictet Japanese Equity Selection NEW ENTRY	-	9.5	-7.65	45	12.30	9	13.06	10	132.40	21	-	£217
Sector Average			**-8.03**	**87**	**3.72**	**83**	**5.36**	**73**	**128.95**	**51**	**-**	**-**
ASIA PACIFIC EXCLUDING JAPAN*												
Alquity Indian Subcontinent#^**	⚐	10	-1.33	10/22	57.65	2/21	17.02	15/18	-	-	-	£20
◌ **Baillie Gifford Pacific**	-	8.5	-12.81	121	40.04	4	50.85	3	218.38	1	0.43	£2,640
◌ **Fidelity Asia Pacific Opportunities**	⚑	8	-5.11	79	29.63	8	53.21	2	-	-	-	£1,402
Fidelity Asian Dividend	⚑	7.5	2.92	28	13.68	58	36.26	12	-	-	3.88	£93
◌ **FSSA Greater China Growth^**	⚑	10	-4.69	20/64	20.87	6/56	39.75	4/49	184.51	7/34	1.10	£637
GS India Equity Portfolio#	⚑	10	-5.07	-	50.20	-	39.08	-	-	-	-	£1,645
Guinness Asian Equity Income#	⚑	8	-1.87	56	13.48	60	16.42	65	-	-	3.45	£191
Invesco Asian**	⚑	8	8.19	13	29.63	7	29.11	24	179.44	4	2.17	£1,993
Jupiter Asian Income NEW ENTRY	⚑	7.5	8.09	15	25.26	14	45.00	6	-	-	4.46	£1,195
Schroder Asian Income	⚑	7.5	3.45	26	22.79	23	31.43	16	125.83	18	4.85	£1,281
◌ **Stewart Investors Asia Pacific Leaders Sustainability**	⚑	7.5	-5.94	-	25.95	-	38.32	-	129.68	-	0.28	£6,798
Sector Average			**-1.65**	**123**	**15.43**	**116**	**20.59**	**108**	**104.24**	**76**	**-**	**-**
GLOBAL EMERGING MARKETS												
Aubrey Global Emerging Markets Opportunities#**	⚑	10	-13.47	145	11.66	20	19.62	11	-	-	-	£250
◌ **Redwheel Global Emerging Markets#**	-	10	-6.78	70	11.07	22	2.69	79	-	-	-	£1,384
Sector Average			**-7.30**	**161**	**1.00**	**143**	**2.84**	**126**	**50.11**	**90**	**-**	**-**
GLOBAL												
◌ **Fidelity Global Special Situations**	⚑	7	-7.56	290	21.03	225	38.84	188	236.97	20	-	£3,030
◌ **Fundsmith Equity**	⚑	6	-8.63	320	24.62	150	60.53	24	342.99	2	-	£22,599
LF Blue Whale Growth	⚑	8	-21.24	483	7.55	384	48.87	93	-	-	-	£759
Montanaro Better World	⚐	8	-20.39	474	14.71	324	-	-	-	-	-	£553
◌ **Ninety One Global Environment** 🌿	⚐	7.5	-6.02	238	48.06	10	-	-	-	-	0.71	£1,970
Pictet Global Environmental Opportunities# 🌿	⚑	7.5	-9.19	336	32.81	35	55.11	54	224.00	31	-	£6,646
◌ **Rathbone Global Opportunities** SPOTLIGHT	⚑	6.5	-15.82	445	23.88	170	54.35	57	248.48	15	-	£3,415
◌ **T. Rowe Price Global Focused Growth Equity**	⚑	7.5	-15.76	444	27.75	78	70.70	9	-	-	-	£392
Sector Average			**-2.89**	**488**	**28.71**	**407**	**52.59**	**337**	**181.56**	**219**	**-**	**-**
GLOBAL EQUITY INCOME												
◌ **Fidelity Global Dividend**	⚑	6	2.48	26	20.27	31	48.23	15	193.83	6	2.73	£3,322
FTF ClearBridge Global Infrastructure Income^	-	5	7.83	9/25	28.84	2/21	62.99	2/18	-	-	5.05	£1,555
◌ **JPM Global Equity Income** NEW ENTRY	⚑	6.5	5.74	12	42.26	1	69.47	2	223.02	2	2.32	£519
◌ **M&G Global Dividend^**	⚑	7	6.72	7	33.31	4	48.56	13	177.42	8	2.88	£2,319
TB Evenlode Global Income	⚑	6	-2.75	42	19.80	34	52.72	8	-	-	2.10	£1,764
◌ **TB Guinness Global Equity Income#**	⚑	6.5	5.19	16	-	-	-	-	-	-	2.40	£33
Redwheel Global Equity Income NEW ENTRY	-	6	5.37	14	-	-	-	-	-	-	-	£261
Sector Average			**1.20**	**56**	**21.52**	**51**	**35.69**	**47**	**137.26**	**29**	**-**	**-**
MISCELLANEOUS*												
AXA Framlington Global Technology	⚑	10	-24.51	21/31	24.04	10/28	78.68	9/23	404.28	4/13	-	£1,118
CT European Real Estate Securities	⚑	7	-28.53	-	-19.69	-	-7.04	-	106.42	-	-	£26
Fidelity Global Technology	⚑	10	-6.31	3/31	53.28	1/28	122.68	1/23	603.33	1/13	-	£11,473
Jupiter Financial Opportunities	⚑	8	-18.51	10/15	-0.09	8/13	21.18	7/11	123.62	5/8	1.02	£446
Jupiter Gold And Silver#	⚑	10	12.33	-	27.67	-	44.80	-	-	-	-	£783
◌ **M&G Emerging Markets Bond**	⚑	4.5	-1.85	10/23	-4.21	7/22	9.43	4/18	65.30	1/8	5.93	£777
Polar Capital Biotechnology#	⚑	10	11.90	-	46.49	-	88.23	-	-	-	-	£1,287
Polar Capital Global Insurance NEW ENTRY	⚑	7	23.25	1/15	34.93	1/13	73.06	1/11	302.71	1/8	-	£2,390
Polar Capital Healthcare Opportunities#	⚑	8	9.85	5/19	25.95	9/15	66.35	7/12	349.24	1/7	-	£1,354
VT Gravis UK Infrastructure Income	⚑	4.5	-3.24	21/25	3.72	20/24	25.94	14/18	-	-	4.54	£826

🌿 **Environmental, social and governance (ESG) funds**
◌ **Funds featured in The Chelsea Core Selection (see pages 10-15).**
⚑ **Funds that are Elite Rated by FundCalibre.**
⚐ **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 fundinfo, IA (Investment Association) universe, total return from main units (unless the fund has an income mandate, in which case the income share class of the main unit has been used). All figures for period up to 09/01/2023 as at 11/01/2023.

Yields per annum as at 09/01/2023 taken from income unit where applicable.

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.

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

* 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.

** The history of this fund has been extended at FE's discretion to give a sense of a longer track record of the fund as a whole.

† 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. Please visit chelseafs.co.uk for full Terms & Conditions.

\# This fund is domiciled offshore and may sit 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.

THE REDZONE

JAMES YARDLEY
Senior research analyst,
Chelsea

THE REDZONE

The RedZone is back by popular demand. The RedZone names and shames the funds which have underperformed for three years in a row.* This lets you see at a glance which funds are the serial underperformers. The DropZone shows you the 10 funds which have underperformed their sector average by the largest amount.

The start of a new year is a great time to have a quick look at your funds and check if they're delivering. The good news is that the RedZone is relatively small this year with just 64 funds in the list. Last time we ran it there were over 300 funds. Fund groups are now forced to regularly reassess the value their funds offer and this seems to be prompting them to take action sooner.

The main reason for the small number of funds is that many different styles of investing have had their moments over the past three years. In 2020 during the pandemic, growth stocks did extremely well as we were all forced to stay at home and rely on more tech. As economies reopened and inflation reappeared the value style of investing came back with a vengeance and tech faltered. The net result of all this is that most funds have had at least one year where they outperformed. Those funds which remain in the list have some serious questions to answer.

Despite all this £13bn still resides in RedZone funds. The worst sector was UK All Companies with £3.8bn and 7 funds, followed by the Mixed Investment 20-60% Shares sector with £2.3bn and 7 funds and the Global sector with £739m and 9 funds.

The worst company was Halifax with £2.7bn and 3 funds. Followed closely by Aberdeen with £1.7bn and 4 funds. Regular readers of past RedZone's may remember Aberdeen has been a regular offender. They have actually made progress from the last time we ran the RedZone when they had £7.6bn and 15 funds. Given that context this is actually a substantial improvement.

DROPZONE

The worst performer in the DropZone is the Aegon Property Income fund. This fund has been a major disappointment and announced it would wind up in August 2021. 66% of the net asset value on closure has been distributed to clients. Unfortunately, the fund is closed for trading and investors will have to be patient before they get their final proceeds back. Readers will know Chelsea does not have any direct property funds on its buy lists because of this illiquidity risk.

The fund with the largest amount of assets in the DropZone is Fidelity American which some clients may hold. This fund has been a serial underperformer for a long time now. Whilst Fidelity generally has a strong track record of active management, they like many others struggle in the US market.

Finally, I'll highlight Jupiter UK Growth which just misses the DropZone by a fraction but is still a relatively large fund with £404m and has been widely held by our clients in the past. The fund was previously hurt by its domestic bias following the Brexit vote in 2016. It looks very different today with a new manager in place since 2020. Performance has improved but the fund continues to underperform.

***Source:** *Funds with a new manager in the past 18 months are excluded.*
***Source:** *Source for Data - FE Funds Info Retail UT and OEIC sectors 09/01/2020-09/01/2023*

RedZone entry requirement – three years of consecutive 3rd of 4th quartile performance. At least 10% underperformance versus the sector average. No new manager in the past 18 months.

	3 Year % Growth	Quartile position
CHINA/GREATER CHINA		
Janus Henderson China Opportunities	-12.73	4
Sector average	-0.21	
EUROPE EXCLUDING UK		
Schroder European Sustainable Equity	-9.62	4
VT Argonaut European Alpha	-8.05	4
Schroder European Alpha Plus	-2.02	4
Jupiter European Special Situations	0.56	4
TM CRUX European Special Situations	6.9	4
Artemis European Sustainable Growth	7.24	4
Sector average	17.82	
EUROPEAN SMALLER COMPANIES		
CT European Smaller Companies	2.61	4
Sector average	14.76	
FLEXIBLE INVESTMENT		
Virgin Pension Growth 1	-5.85	4
FP Apollo Multi Asset Adventurous	-4.68	4
Scottish Widows Balanced Income Portfolio	-4.56	4
SPW Discovery Solution	-4.04	4
LF Bentley Global Growth	-2.42	4
IFSL Sanlam Growth	-0.98	4
Sector average	9.09	
GLOBAL		
FTF Martin Currie Global Unconstrained	-7.63	4
T. Bailey Fund Srvs Ltd (ACD) TB Calibre Equity	-2.26	4
VT Avastra Global Equity	0.8	4
Thesis The Saint Martins	1.99	4
Halifax Fund of Investment Trusts	4.44	4
SJP Global Smaller Companies	4.52	4
S&W Eagle	5.44	4
Margetts Opes Growth	5.88	4
VT Rossie House Portfolio	6.04	4
Sector average	17.83	
GLOBAL BONDS		
FTF Templeton Global Total Return Bond	-23.41	4
VT Avastra Global Fixed Income	-18.09	4
Sector average	-5.63	
GLOBAL EM BONDS - BLENDED		
Templeton Emerging Markets Bond	-14.64	4
Sector average	9.6	
GLOBAL EMERGING MARKETS		
SJP Global Emerging Markets	-16.62	4
MI Somerset Global Emerging Markets	-15.76	4
Sector average	2.13	

	3 Year % Growth	Quartile position
GLOBAL EQUITY INCOME		
Oldfield Overstone Global Equity Income	-1.27	4
UBS Global Enhanced Equity Income Sustainable	1.89	4
Sector average	20.55	
INFRASTRUCTURE		
TIME Investments ARC TIME UK Infrastructure Income II	-1.54	4
Sector average	11.14	
JAPAN		
Invesco Responsible Japanese Equity Value Discovery (UK) **	-12.26	4
Sector average	3.9	
MIXED INVESTMENT 0-35% SHARES		
DMS Stirling House Monthly Income	-13.43	4
Sector average	-3.42	
MIXED INVESTMENT 20-60% SHARES		
VT EPIC Multi Asset Balanced	-25.87	4
EF 8AM Cautious	-16.79	4
T. Bailey Fund Srvs Ltd (ACD) TB Doherty Distribution	-12.67	4
UBS Global Diversified Income	-11.61	4
UBS Multi Asset Income**	-11.33	4
Halifax Cautious Managed	-9.76	4
Virgin Money Growth 1	-9.57	4
Sector average	0.82	
MIXED INVESTMENT 40-85% SHARES		
VT EPIC Multi Asset Growth	-20.56	4
EF 8AM Growth	-15.12	4
EF 8AM Balanced	-14.72	4
VT Greystone Balanced Managed	-4.52	4
Sector average	7.17	
NORTH AMERICAN		
Fidelity American	4.03	4
abrdn American Equity	13.95	4
Sector average	26.67	
PROPERTY OTHER		
Premier Miton Pan European Property Share	-17.57	4
Sector average	-4.94	
STERLING STRATEGIC BOND		
Virgin Pension Bond and Gilt	-16.55	4
Virgin Money Bond and Gilt	-16.52	4
Sector average	-5.17	

	3 Year % Growth	Quartile position
TARGETED ABSOLUTE RETURN		
Jupiter Flexible Macro	-34.31	4
Sector average	3.18	
UK ALL COMPANIES		
Jupiter UK Growth	-19.61	4
Unicorn Outstanding British Companies	-18.01	4
abrdn UK Ethical Equity	-14.11	4
Halifax Special Situations	-13.11	4
BNY Mellon Sustainable UK Opportunities	-10.37	4
Troy Asset Management Ltd Trojan Income	-7.54	4
M&G Recovery	-7.43	4
Sector average	2.67	
UK DIRECT PROPERTY		
Aegon Property Income	-44.75	4
Sector average	-2.98	
UK SMALLER COMPANIES		
MI MI Sterling Select Companies	-35.93	4
Sarasin UK Thematic Smaller Companies	-28.26	4
abrdn UK Smaller Companies	-13.93	4
Sector average	-0.81	

DROPZONE

% UNDERPERFORMANCE FROM SECTOR AVERAGE

1	Aegon Property Income	-41.77
2	Jupiter Flexible Macro	-37.49
3	MI MI Sterling Select Companies	-35.12
4	VT EPIC Multi Asset Growth	-27.73
5	Sarasin UK Thematic Smaller Companies	-27.45
6	Schroder European Sustainable Equity	-27.44
7	VT EPIC Multi Asset Balanced	-26.69
8	VT Argonaut European Alpha	-25.87
9	FTF Martin Currie Global Unconstrained	-25.46
10	Fidelity American	-22.64

* 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.

Please read the important notice on page 2. This is a purely statistical table, featuring funds which have been 3rd or 4th quartile for three discrete consecutive years. All cumulative statistics % change bid to bid, net income reinvested, three years to 09/01/2023. Source FE fundinfo. Whilst every effort has been made to ensure the accuracy of this information, Chelsea Financial Services takes no responsibility for any errors, omissions or inaccuracies therein.

Funds in the DropZone

INVESTING FOR INCOME

Income is at the forefront of many of our investors' minds, particularly in this era of higher inflation. So our main feature focuses on some examples of where to find that income. We have chosen three bond managers, who each manage funds focusing on different aspects of fixed interest investing. Then three equity income managers discuss how they invest in their various different regions.

ALEXANDER PELTESHKI

Fund manager,
Aegon Strategic Bond
Elite Rated by FundCalibre

I joined Aegon Asset Management in 2014 from ING Bank in Amsterdam, to become responsible for several Total Return and Absolute Return strategies. In 2017, I took over the management of the Aegon Strategic Bond fund, which I now co-manage alongside Colin Finlayson. While we retained the fund's original investment process and constraints, we meaningfully changed the style with which we look at fixed income markets. The fund is managed in a very active way across the cycle and our dynamic, high-conviction approach seeks to minimise most behavioural/philosophical biases to which fund managers are often held hostage.

Aegon Strategic Bond is an unconstrained, flexible fixed income fund which seeks to maximise risk-adjusted total returns through the market cycle. The fund provides a clean slice of the fixed interest universe and invests globally. Targeting total returns means that we aim to combine return streams from both capital appreciation and income. Bonds are inherently known for their strong income characteristics from coupon payments paid by the issuer. Valuations in the fixed income market currently offer extremely attractive yields, making a compelling case for total return bond funds looking for capital appreciation in the value of the bond and their all-important income payments.

OPPORTUNITIES ABOUND

Everyone nowadays seems to agree that bonds are the place to be as the asset class is arguably as attractive as it has been in over 10 years. The question that I get most often from clients is regarding timing (when to invest) and selection (where to invest). After all, we just had one of the worst years on record in global markets where almost everything that could go wrong did go wrong. But on the bright side, bond markets underwent a major dislocation in 2022 and now offer one of the most fertile hunting grounds for active fund managers in decades.

WHY STRATEGIC BOND FUNDS?

A strategic bond fund is one of the best ways to get exposure to bond markets at the moment, owing to its ability to quickly make asset allocation decisions that can make the most out of this unique market environment. At the same time, strategic bond funds should have a fundamental place in every investor's portfolio, as they outsource the global bond allocation decisions to an active market participant who should be able to use this flexibility to achieve superior risk-adjusted returns. It answers both the 'time' and the 'place' questions.

Entering 2023, I see peaking inflation globally at varying speeds, which should cap the yield on global government bonds. I see most value in sovereign bonds issued by the US, Australia, and New Zealand, while the outlook for similar debt in Germany and the UK remains somewhat unclear. Overall, reduced interest rate volatility should allow investment grade credit to deliver strong total returns in 2023. Peak hawkishness, in particular in the US, would make emerging market debt look quite attractive after a very bruising year. I am also positive on the high yield market, as the very elevated yield level there should offer plenty of protection against a larger economic downturn. However, I do anticipate that corporate default rates would pick up in 2023, which would make both stock selection, as well as tactical asset allocation in and out of the high yield market, key to avoid landmines.

THE CHELSEA VIEW

This is a flexible fund, which invests globally, across the fixed interest spectrum of government, investment grade, high yield and emerging market bonds. The team actively use their macroeconomic analysis to shift the fund's position to adapt to the current economic conditions.

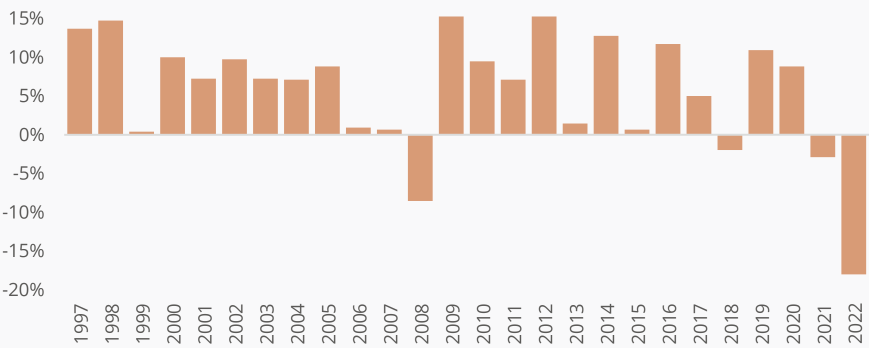
Chelsea Risk Rating: **4**
AMC: **0.55%**
OCF: **0.58%**
Yield: **6.07%**
Yield payment: .... **Quarterly**

GRACE LE
Fund manager,
Artemis Corporate Bond
Elite Rated by FundCalibre

STEPHEN SNOWDEN
Fund manager,
Artemis Corporate Bond
Elite Rated by FundCalibre

We have experienced the worst sell-off in the history of sterling corporate bonds. In 2022, the index lost 20%. Until then, the worst year for sterling corporate bonds was in 2008 when the index lost around 9%.

ICE BOFA STERLING CORPORATE & COLLATERALIZED INDEX – ANNUAL RETURNS



***Source:** *Bloomberg*

What caused this? The Russia-Ukraine conflict put further pressure on supply chains which were already strained by the world reopening following COVID-19. Alongside this, energy prices spiked, resulting in the highest inflation backdrop we have seen in decades. This led to some of the worst performance we've seen in UK gilts. If that wasn't bad enough, the cherry on the top was a full-blown confidence crisis in the UK, brought on by the mini-budget, which caused a further drastic fall in gilt prices, as investors dumped UK government bonds in droves.

At the same time, concerns around the economy and whether companies and consumers would be able to afford higher interest rates – the BoE's response to higher inflation – led to credit spreads (the extra yield investors get paid to own company debt rather than government debt) increasing to levels which we typically see if we are about to go into a recession.

The combination of both gilt yields and credit spreads going higher is highly unusual. Indeed, this is the first time since at least 1999 that the index has derived a negative return from both the underlying government bond and credit spreads. So where does that leave us? Very attractive valuations. The recent broad-based repricing in fixed income markets has been difficult for investors, but the outcome of the moves is that the current starting point is now more than sensible.

GOING FORWARD

It is always dangerous to make predictions about the level of inflation or interest rates. But we believe inflation will remain elevated in the short term and that it will take time for inflation to normalise to levels that we are all more accustomed to. The target inflation rate for the Bank of England is 2% and it seems unlikely this level will be achieved in 2023. What we can say with confidence is that we are getting ever closer to the 'zone' for peak inflation across the UK.

A side effect from QE is that, as central banks continued to buy bonds and support the whole economy, it didn't really matter what company or sector you owned as cheap funding rates meant that good and bad companies could continue to survive. The tide of QE lifted all boats. This led to a reach-for-yield where valuations drifted to similar levels regardless of how low or high quality a company was. As central banks withdraw their support and as funding costs increase, we expect investors to demand a premium once again to be invested in higher-risk companies, which will lead to greater valuation dispersion within the asset class.

As the debate rages on over how quickly inflation will fall, and how severe the upcoming recession will be, one thing that is for sure is that volatility will remain high. As these topics continue to be hotly contested in the near term, we expect the asset class to remain volatile, but in the longer term, today's valuations, which are near their most attractive in a decade, will prove to be an attractive entry point. This combined with increased volatility means that 2023 promises to be an exciting year for the active bond manager.

THE CHELSEA VIEW

Stephen is a highly experienced manager who, together with co-manager Grace, utilise their macroeconomic expertise to assess the risks and opportunities available within the corporate bond market. He and his team also have a strong process when it comes to credit analysis. This winning combination has produced excellent performance.

Chelsea Risk Rating: 2.5
AMC: 0.25%
OCF: 0.37%
Yield: 4.79%
Yield payment: Quarterly

CLAUDIA CALICH
Head of Emerging Market Debt,
M&G
Elite Rated by FundCalibre

IS IT TIME TO START REALLOCATING TO EM DEBT?

The year just ended was not one for the faint-hearted. Rampant global inflation – caused by volatile energy markets and accelerating inflation – necessitated inflation-busting interest rate rises from central banks across the world. At the same time, China's "zero-COVID" policy caused further disruption to the global economy. For most investors, this has resulted in some truly gloomy investment returns. None more so than in the interest rate-sensitive fixed interest (bonds) asset class, including in emerging market (EM) bonds, my area of expertise for the past 25 years.

The EM debt asset class is on course to endure consecutive years of negative returns (in US dollar terms) – an extremely rare occurrence. However, another negative year would be unprecedented in history. Although, thanks to the strength of the US dollar this year, some UK investors holding EM debt funds have generally seen much smaller declines in performance. And there certainly look to be some pockets of optimism going into 2023.

Investors in the EM debt space usually think of the asset class as broadly split into three main segments: EM government bonds in hard currency (issued by a stable economy); EM government bonds in local currency and EM corporate bonds in hard currency. JP Morgan's well-publicised series of indices for all three segments have been fairly evenly punished in 2022, showing year-to-date returns of -18.0%, -13.5% and -13.6%, respectively.*

WE CURRENTLY FAVOUR LOCAL CURRENCY BONDS

Our approach allows us to flexibly allocate to any parts of the market we think are set to outperform, given the economic environment. Currently, we favour a small overweight exposure towards local currency assets, as this is where we think some of the more attractive opportunities lie. EM bond valuations remain at historically low levels, pricing in a lot of the macroeconomic uncertainty. This is especially the case in the 'high yield' segment of the market, where the riskiest EM government and corporate debt can be found. Bond valuations here are at levels still barely reached outside of the Great Financial Crisis and the COVID crisis, potentially presenting opportunities to investors who can stomach the extra risk that comes with holding these securities.

Several other factors indicate that investors might start thinking of reallocating towards emerging market debt in 2023. Firstly, signs of easing inflation in the US and Euro area means it looks increasingly likely that the pace of rate hikes in the US and other leading economies will start to slow. This should be beneficial to the global economy, including EM countries, many of whom were "ahead of the curve" on interest rate policy, and had been raising rates since 2021 to stifle local inflation and help support their currencies.

Talking of currencies, the US dollar rose relentlessly against a basket of global currencies in 2022, hurting many EM economies which finance themselves with dollar-denominated debt. However, we think the bulk of this rally is likely to be behind us, not least because of the worsening US trade deficit, as US goods and services have become more expensive — and therefore more unattractive — to foreign buyers. This is another reason we have been identifying some of the more compelling investment opportunities in local currency EM debt markets recently.

Over the past few weeks we have seen stronger evidence of easing inflation in the US and Europe. Also, China will start to move away from its zero-COVID policy, which has hampered economies in the region. These are exactly the kind of catalysts that many investors (including ourselves) had been waiting for, and resulted in a significant performance rebound in November. In fact, JPMorgan's index of dollar-denominated emerging market debt climbed 7.6% in November, its best month for 24 years. However, whether the asset class can sustain an improved level of performance will, to some extent, depend on the magnitude of the global downturn being forecast for 2023. We would urge investors to adopt an active and selective approach to the asset class, while global risks and uncertainty remain elevated.

THE CHELSEA VIEW

To effectively invest in this complex asset class requires considerable knowledge and Claudia's expertise is second to none. She seeks out the best opportunities in both local and hard currency, looking for both income and capital growth. She also benefits from the highly resourced M&G fixed interest team.

Chelsea Risk Rating: **4.5**
AMC: **0.00%**
OCF: **0.70%**
Yield: **5.93%**
Yield payment: .... **Bi-annually**

* To 30 November 2022. Expressed in US dollar terms. Full index names: J.P. Morgan EMBI Global Diversified Index, J.P. Morgan GBI-EM Global Diversified Index, J.P. Morgan Corporate EMBI Broad Diversified Index.

JASON PIDCOCK
Fund manager,
Jupiter Asian Income
Elite Rated by FundCalibre

SAM KONRAD
Fund manager,
Jupiter Asian Income
Elite Rated by FundCalibre

With inflation reaching levels we haven't seen for decades in the developed world, and most major central banks raising interest rates, 2022 was a difficult year for investors. But, despite such a challenging backdrop, Asia Pacific has continued to offer many attractive income and growth opportunities. By being selective and focusing on identifying the most resilient companies in the region, we've avoided some of the sharpest sell-offs.

IDENTIFYING 'SAFE HAVENS'

We view ourselves as top-down stock pickers, meaning we consider the macroeconomic environment, including the political backdrop, the current business environment and longer-term environmental risks, though we don't try to make forecasts. This leads us to form opinions about the countries we'll consider investing in, as well as those that we view as too risky.

Many consider the Asia Pacific region as an emerging markets play, though it's home to several developed market economies with solid fundamentals. Australia, for example, can be overlooked and is often underrepresented in portfolios. However, it's our largest country weighting, which worked well for us in 2022. Australia is a fully-functioning democracy with a productive workforce, offering many successful companies with significant market shares, solid barriers to entry and strong corporate governance, with very few state-owned enterprises.

Unsurprisingly, Australia's mining and energy companies performed well in 2022, given strong rallies in energy and commodity prices. Our largest position, BHP, the world's largest mining company, is one example. Several financials and industrial companies also outperformed.

Elsewhere, we like Singapore, which is home to many attractive businesses with revenues from across Southeast Asia (e.g. we hold Singapore Telecom, which has regional subsidiaries in Australia, India, Indonesia, Thailand and the Philippines); and Taiwan, which offers several world-leading technology companies, where we hold names like Hon Hai, the world's largest contract manufacturer. We have also increased our India exposure, including the addition of its largest private bank, HDFC.

AVOIDING RISKIER AREAS

In contrast, we're increasingly cautious about mainland China, given concerns about its political nature, both domestically and in relation to other countries. We exited our remaining positions there in July, though we have exposure to its economy through successful businesses located elsewhere in the region that sell to China. This decision has worked well, as long-term travel restrictions and lockdowns, regulatory clampdowns, and concerns about Xi Jinping further consolidating his power, have weighed on sentiment.

We expect to see considerable capital flee China as the situation deteriorates. Indeed, we're already seeing allocation shifts from some of the largest US pension funds, away from China and towards less risky countries in the region.

FOCUSING ON THE BIGGEST AND BEST

It's not just about recognising the countries that we do or don't like – it's about trying to identify the best companies.

Many of the businesses we hold are considered global leaders. We prefer those that look after their balance sheets and are willing and able to share profits with shareholders, with proven management teams and business models. While we hold many of our investments for years, we prefer liquid stocks, so we can sell out easily.

A GREAT TIME TO INVEST?

Our positioning has worked well in a rising interest rate environment. Given strong net cash positions and low levels of leverage, we believe many of our companies should withstand a recession and could come out the other side stronger than their competitors.

Following 2022's sharp sell-offs, several high-quality companies that looked too expensive or we didn't feel offered sufficient dividend yields are now looking attractive. We've taken advantage of market volatility, adding to several high-conviction positions, while also adding some new names.

THE CHELSEA VIEW

This fund gives investors access to an exciting region with a focus on dividend yield and dividend growth opportunities. This, combined with the managers' considerable understanding of the political and economic risks in the region, make the fund a relatively defensive way to invest in Asia.

Chelsea Risk Rating: 7.5
AMC: .... -
OCF: 1.01%
Yield: 4.46%
Yield payment: .... Quarterly

NICK CLAY
Fund manager,
RedWheel Global Equity Income
Elite Rated by FundCalibre

"Many of today's problems are a result of yesterday's solutions", said Thomas Sowell. How true, especially today. So many years of quantitative easing (QE), ultra-low interest rates, the response to the pandemic and a war on Europe's border has caused inflation to return across the globe in a manner not seen since the 1970s. Inflation's stubborn persistence is escalating the strength of the medicine required to tame it once again, with fears of how high interest rates may have to go and that a meaningful recession may be the outcome. Yet the level of indebtedness now accumulated by governments, corporates and many individuals over the past 15 years, means the ability to suffer such medicine is almost non-existent. Remember too, that the last time governments hit this level of indebtedness at the end of the World Wars, inflation was their means of default. So, government's vested interest and an inability of many to suffer, makes it most likely that the Fed pivots too early in 2023, which could ultimately cause greater problems than a deep recession. The 1970s taught us that relenting too soon simply brings inflation back in waves, and this recurrence of inflation usually causes volatility in asset classes and destruction of real wealth over time. The investment environment is changing from the upward only abnormal period from 2009 to 2021, to the more normal backdrop of cycles and volatility. We believe wealth will be grown slowly not instantly, and the more tortoise-like approach of equity income, investing, growing wealth by compounding a dividend income, will once again become the most appropriate approach.

THE PORTFOLIO

The portfolio is overweight staples, luxury retail and semiconductors. It is underweight financials, industrials and mining. As we move into a recession in 2023, we do not want classic cyclicals, but those companies that can suffer weakening economic growth and continued cost inflation. This requires pricing power whilst still growing volumes, which can therefore grow nominal cashflow to enable growth in dividends, which helps the fund combat inflation and drives compounded returns. Further, valuations will matter again as the backdrop becomes harder and more volatile. Thus, the disciplines of the fund mean we avoid the still over-valued mega-cap stocks, as we feel 2023 may prove difficult for any company to live up to excessive expectations.

THE OUTLOOK

When managed in a disciplined way, a global income approach for equities should be able to generate a starting dividend yield greater than the market to compound at that higher level to drive wealth accumulation. This, once again, in a volatile market backdrop, as is normally the case, maybe the largest driver of total returns over a sensible time period. Capital returns, so easy to come by in the previous environment become far harder in a volatile inflationary environment. Given the pull back in markets this year, starting yields are higher now too. Further, if investing in those companies able to suffer, growth in dividends should be able to match inflation, as history shows is possible. This will help to drive a total return that can compensate for inflation. Investing in a statistically-attractive approach, repeatable through time should return to replace simple "buy the dips" and trading in the hope of getting lucky. Discipline in process and an ability to suffer is now appropriate. A continuous and growing dividend, delivered by actively investing in companies that can suffer volatility in their businesses, could allow investors to weather volatile markets and inflation. Wealth can still grow in a more difficult environment, but investors must learn to return to the normal way of delivering that growth.

THE CHELSEA VIEW

Nick is a highly experienced manager and is backed by a strong team. They follow a disciplined process focusing on yield. They take a contrarian approach and focus on the sustainability of dividends. The portfolio is concentrated, with every stock they purchase yielding 25% more than the market.

Chelsea Risk Rating: 6
AMC: 0.90%
OCF: 0.70%
Yield: 3.40%
Yield payment: .... Quarterly

BRIAN HALL
Fund manager,
BlackRock Continental European Income
Elite Rated by FundCalibre

ANDREAS ZOELLINGER
Fund manager,
BlackRock Continental European Income
Elite Rated by FundCalibre

2022 was a turbulent year for investing across almost all asset classes, and European equity has been no exception. The market suffered violent reversals, driven first by changes in expectations for the path of global interest rates, then by fears of weakening economic growth and concerns about Europe's energy supply.

INFLATIONARY CHALLENGES

More recently, leading economic indicators are weakening and inflation appears to be peaking. However, labour markets remain tight across much of the developed world, and constrained commodity supply, changes in demographic trends, and the reorganisation of global supply chains are all potential inflationary pressures going forwards. Consequently, central banks are continuing to tighten monetary policy driven by fear of inflation becoming more entrenched.

While companies have adapted rapidly and corporate profits have generally held up well this year, we expect the economic environment to be a headwind for speculative business models - more typically found in other regions - whose prospects rely heavily on cashflows many years in the future.

DEPENDABILITY IN EUROPE

In our opinion the market will instead favour more mature, dependable, and resilient business models with cashflows and dividends today rather than promises of high growth and cashflows tomorrow.

Europe is a rich hunting ground for these opportunities. Valuations are low relative to history, and the European market has a greater breadth of attractive dividend payers than other regions. We also expect resilience in dividend payments: during the recent Q3 earnings season a large majority of company management teams reiterated or raised expectations for future dividend payments.

With current dividend yields higher than medium-term inflation expectations, and the potential for dividend payments to grow over time, we believe investors are well compensated relative to other styles, regions, or asset classes.

The portfolio is well positioned to take advantage of the current market regime. We think about the portfolio in terms of companies which deliver a high current yield, those which have resilient and stable characteristics, and 'unique franchises' which can offer high earnings and dividend growth over time. We are currently positioned with around 47% in high yield, 33% in resilience, and 20% in unique franchises.

PORTFOLIO HIGHLIGHTS

One of our favourite high yield companies – currently trading on a high single-digit dividend yield - is French-listed bank BNP Paribas. Here our bottom-up analysis suggests that the valuation is not accurately reflecting the benefit of higher net interest income resulting from higher interest rates, the benign default environment, and excess provisions taken during Covid which could be used to offset any loan losses should they start to materialise.

In 'resilience', one of our highest conviction names to add ballast to the portfolio is Nestle – a high quality, defensive company set to be a long-term beneficiary of structural trends such as health and wellness and convenience. The company has been repositioning itself towards more premium products and should be able to deliver mid-single-digit organic sales growth as well as gradually expanding profit margins.

An example of one of our unique franchises is ASML – the global leader in lithography tools used within the semiconductor industry. ASML's tools are vital for the manufacture of leading-edge semiconductors – demand for which is expected to grow at double-digit rates over the next decade driven by advances in everything from cloud computing to 5G mobile to Artificial Intelligence and quantum computing. While the current dividend yield is low, we expect the company to be able to substantially grow its distributions over time.

So while European equities are not winning many popularity prizes today, there are compelling opportunities for long-term investors looking for stability, yield, and inflation protection.

THE CHELSEA VIEW

Brian and Andreas are part of BlackRock's exceptionally strong European team. They focus both on providing a strong income along with capital growth, which is what is required to provide a sustainable income that keeps up with inflation. Their process has produced good long-term performance.

Chelsea Risk Rating: **7**
AMC: **0.75%**
OCF: **0.91%**
Yield: **3.59%**
Yield payment: .... **Quarterly**

FUNDS FOR A NEW ERA

WILL RILEY
Fund manager,
Guinness Sustainable Energy

JONATHAN WAGHORN
Fund manager,
Guinness Sustainable Energy

SUSTAINABLE ENERGY AND THE ENERGY TRANSITION

The energy transition is going to be the defining trend of the next few decades; the need to decarbonise the global economy is no longer a debate, but consensus. With the policy framework now becoming much more supportive, we believe we are in the foothills of this exciting, multi-decade growth opportunity.

Events of 2022 have only served to make this clearer. The invasion of Ukraine has placed energy security firmly back on the agenda and we have seen a step change in legislation from both the US and the EU necessary to encourage the c.$4 trillion of annual spend necessary to hit Net Zero.

BENEFICIARY OF LEGISLATION

In the US we have seen the passing of the Inflation Reduction Act, a $369bn package that targets climate and energy security focusing on reducing emissions from electricity generation, transport, industrial manufacturing, buildings, and agriculture. Nearly every aspect of the energy transition is likely to benefit from the proposals, but key beneficiaries are US-domiciled companies active in solar and wind manufacturing; residential and utility-scale battery storage; commercial building energy efficiency; green hydrogen; and, over the longer term, carbon capture projects. According to Princeton University, the incentives may help increase US utility-scale annual solar installations by 5x and US wind installations by 2x over the next three or four years compared with 2020 levels.

In the European Union we have seen a similar move, with REPowerEU designed to increase the resilience of the EU energy system following the Russian invasion of Ukraine. The deal includes increasing domestic renewable energy capacity and improving energy efficiency while taking higher non-Russian LNG and pipeline gas imports together with larger volumes of biomethane and renewable hydrogen. The plan builds on the EU's 'Fit for 55' proposals which is designed to deliver a 55% reduction in GHG emissions by 2030 (vs 1990) and is expected to reduce Europe's reliance on natural gas by a further 12 bcf/d (30% of current European gas demand).

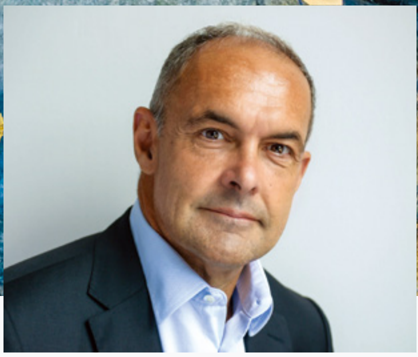
The Guinness Sustainable Energy fund is a high-conviction, concentrated portfolio designed to take advantage of precisely these themes. We divide the universe into four key areas: energy displacement, electrification, generation and installation, focussing not only on the widely talked about areas of wind and solar, but also on the, equally important, consumption side of the equation.

As things stand, the fund is diversified across each of these key areas, with the largest overweight positions (versus the fund's equity universe) being in renewable equipment and electric vehicles. The net result is a portfolio forecast to deliver over 19% per annum earnings per share growth in 2021-2024, significantly ahead of the MSCI World's earnings growth of 8.7% per annum. We believe that this combination of top-down policy support, coupled with bottom-up earnings growth should make the Guinness Sustainable Energy fund a core holding for anyone seeking to take advantage of this era-defining thematic.

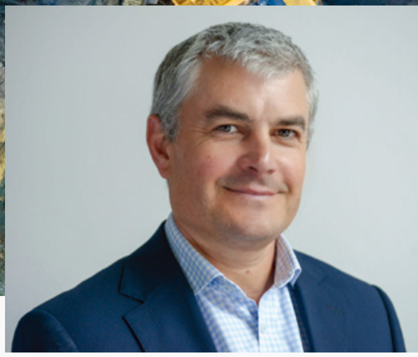
THE CHELSEA VIEW

Will and Jonathan have a wealth of experience in assessing energy companies and have a good understanding of the 'clean' energy market. With the war in Ukraine adding a new dimension of energy security into the equation, we believe that they are well placed to seek out the winners in energy transition.

Chelsea Risk Rating: 10
AMC: 0.67%
OCF: 0.67%
Yield: ....–



GEORGES LEQUIME
Fund manager,
Amati Strategic Metals



MARK SMITH
Fund manager,
Amati Strategic Metals

METALS FOR DECARBONISATION

Despite widespread recognition that global decarbonisation presents a major challenge, many people still significantly underestimate the enormity of that challenge and the critical role that metals play in tackling it.

Renewable energy and new technologies are vital to meet climate targets and include wind, solar and hydro power alongside electric vehicles (EVs), large-scale energy storage and power generation, including nuclear. It's a monumental challenge with some studies indicating that clean energy technologies need to grow at between 10-40% to reach decarbonisation targets.

This process will require a huge quantity of metals and minerals, with some estimating that perhaps more than 300 new mines will be required to meet projected battery demand by 2035.

INVESTMENT OPPORTUNITY

The backdrop to this scenario is one where the industry has massively underinvested and commodity prices are structurally undervalued on a long-term basis. Given the projected demand for metals and lack of supply, we have a scenario of an almost "perfect" storm developing.

The Strategic Metals fund is an "evergreen" fund offering long-term exposure to what we believe will be a rewarding asset class for investors over the next decade. We can invest in those miners supplying those critical decarbonisation metals alongside precious metals, which include gold.

It's a technical industry in terms of understanding the projects themselves, as well as the technologies, raw materials, processing and manufacturing processes to the end users, for example the driver of an EV. Also, the world has been further complicated by the terrible situation in Ukraine, which is driving resource nationalism and a desire to have more control over the supply chain. The response can be seen in Biden's recent IRA bill, a US$2.8bn boost to generate domestic EV battery production, recycling and lithium processing plants.

As a team, we look to employ our technical skills, knowledge and experience as mining engineers and geologists to uncover the best opportunities across the globe for our investors.

In terms of the battery metals, we have around 50% of the fund invested in this segment, with Atlantic Lithium being one of our largest holdings in the fund. The company is a lithium-focused exploration and development company with assets in West Africa, and their vision is to develop a sustainable lithium supply with a positive social impact. The company aims to employ and engage local staff and service providers, as well as driving social and environmental initiatives.

Our gold mining exposure in the fund is currently around 29%, enabling us to provide investors with an alternative and complementary metals exposure, with different driving factors. With talk of recession and stagflation, it's a good hedge to have in the portfolio and we also find many exciting, undervalued opportunities in the sector. One such holding is i80 Gold, a miner 30 miles east of Winnemucca in Nevada. We recently visited the company and are very excited by the development opportunities (whilst also appreciating the risks) to this investment.

Aspects of ESG (Environmental, Social & Governance) are very important to us as investors of our client's capital. At Amati we also incorporate "H", which stands for Human Rights, and as a consequence we give careful consideration during the investment process to the jurisdictions in which potential investee companies operate, with particular attention to those jurisdictions with authoritarian or corrupt regimes. It's a key consideration when investing in natural resources in our opinion. As a team we believe it will be an exciting and rewarding asset class to invest in over the next decade as we transition towards a green world.

THE CHELSEA VIEW

Georges and Mark are experts in this somewhat niche field. They utilise their expertise to tilt the portfolio to the current economic environment. We believe this is an interesting area of investment which merits consideration as the world attempts to decarbonise.

Chelsea Risk Rating: **10**
AMC: **0.75%**
OCF: **1.00%**
Yield: ....**–**

JAMES GOVAN
Lead manager,
Barings Global Agriculture

A COMPELLING CASE FOR AGRICULTURE

Now is an interesting time to consider opportunities in the agriculture industry—especially given the US farmer is experiencing a record year in 2022, with profitability at the highest level on an inflation-adjusted basis since records began in 1929[1]. The main driver behind this increase in profitability is the higher prices for crop and animal products, which is largely a result of weather-related issues in South America, Europe and the US, where drier periods have constrained yields, while supply constraints emanating from the conflict in Ukraine have added further pressures.

These factors have led to projections of global grain inventories to be at the lowest levels in more than a quarter of a century, when compared to consumption (ex-China). With inventories this low, we believe that prices of grains and edible oil will remain elevated for the foreseeable future, as nations globally will need time to rebuild inventories.

FARM TO FORK

In the Barings Global Agriculture fund, we invest in companies across the agricultural value chain from farms and input providers, such as fertiliser, to fork, where we see value in large consumer food manufacturers and retailers. The fund has significant exposure to businesses that are farm and crop input providers, as the high price level of soft commodities creates an incentive for farmers to maximise output using the best seeds, fertiliser and pesticide—and strong farmer profitability improves the ability to invest in new tractors and combine harvesters.

Today, we are seeing opportunities emerge across the agricultural machinery sector, the fund's largest sector exposure. As farmer profitability increases, companies such as Deere & Company are well-positioned. In their most recent earnings call, the company delivered better-than-expected earnings and announced that their order books are full heading into the third quarter of 2023. This visibility in earnings stands in contrast to many companies globally where earnings have become increasingly difficult to forecast against the backdrop of economic uncertainty.

Longer term, we are also seeing huge developments in the underlying technologies within this sector, which have the ability to boost yields, reduce waste and increase output—factors that are becoming increasingly important as the industry becomes more sustainable. For example, Deere & Company have a 'See and Spray' product, which uses sophisticated camera technologies to directly target weeds rather than spray the entire field, dramatically reducing herbicide application by an average of 77%, lowering cost inputs for the farmers, and benefiting the environment[2].

In the near term, we would argue that there are attractive opportunities in agriculture companies given the strong fundamental outlook of the sector, and the industry's unique properties that provide the potential for uncorrelated growth compared with the broader equities market. In the longer term, we see significant growth in the technological revolution, which is reshaping the agricultural landscape, creating opportunities in companies that are increasing the sustainability of the industry. We believe this long-term growth profile is unique given that food production and diets will need to evolve in order to meet the needs of a growing global population, which is estimated to be 10 billion by 2050, while at the same time protecting biodiversity—which is crucial in managing climate change. These reasons build a compelling case for why agriculture should form part of an equity investor's portfolio.

1 *Based on USDA data.*
2 *Source: Deere & Company.*

THE CHELSEA VIEW

Focused on investing primarily in upstream agricultural activities, this fund provides a differentiated approach to investing in the agriculture sector. By endeavouring to take advantage of market inefficiencies and add value through bottom-up stock selection, this fund offers a strong portfolio diversifier that has proven success.

Chelsea Risk Rating: **8**
AMC: **0.75%**
OCF: **1.00%**
Yield: .... **–**

GEOPOLITICAL RISK

Geopolitical risk is not new – it has always been a facet of any investment decision. But over the past few years this risk has intensified to perhaps its highest level since the end of the Cold War.

Geopolitical risks are the potential political, economic, military and social risks that can emerge from a nation's involvement in international affairs.

The world I grew up in was largely characterised by increasingly interdependent global economies and cultures, where cross-border trade and the flow of investments, people and ideas seemed to be an unalterable trend.

This was aided by relatively stable geopolitics that helped sustain and strengthen this growth in interconnectedness. This contributed to strong global economic growth and less volatility in markets.

However, the trend has notably lost its momentum and world leaders now seem more inclined to sacrifice economic prosperity to fulfil their ideological goals, with populism gathering force on both ends of the political spectrum.

I would argue that the global financial crisis did not just cause economic upheaval, it ushered in this new age of politics where nationalism and social conservatism have become more salient parts of many countries' identities. History tells us that regimes of this nature aren't averse to conflict and it comes as no surprise that geopolitical risk has increased in the past decade.

India's current and Brazil's recent nationalistic regimes are certainly examples of this recent shift. But this is not just limited to emerging markets; Trump's lightning rise to the most powerful seat in the world and the UK's departure from the EU also represent these populist shifts.

China has also ascended as an alternative hegemonic power. A country where tensions with their close neighbours Taiwan are growing, with Xi Jinping vowing to reunify them. US-Chinese relations have deteriorated, with a war on semiconductor chips already being fought. Washington has put in place strict export controls to hobble China's progress in this industry as these advanced chips are crucial for artificial intelligence, supercomputers and weapons of war.

Russia's recent invasion of Ukraine, however, is the most momentous example of this deterioration in global order and a geopolitical risk being actualised. Investors in these countries will have felt the pain of hefty losses and in many cases the inability to reclaim any capital. Thus, being cognisant of these geopolitical risks is of paramount importance to any investor's portfolio.

Friendshoring's (relocating supply chains to friendly countries) heightened prominence in trade is a further example of how global order has changed. We at Chelsea monitor risks on a daily basis across our funds and ensure that our exposure to regions where we believe the threat of conflict is too high is limited.

JOSS MURPHY
Junior research analyst
Chelsea

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

HOW TO USE THE CHELSEA RISK THERMOMETER

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.

VENTURE CAPITAL TRUSTS (VCTs)
AN OVERVIEW

PETER HICKS
Research analyst
Chelsea

WHAT ARE VCTs?

VCTs are high-risk investments because they invest into a portfolio of small, unquoted and illiquid companies. They play an important part in the economy because they support the best of British by backing small businesses with big futures. To encourage investment, the government offers generous tax benefits because these new companies create jobs and support growth.

YOU MUST ACT QUICKLY

VCTs have been popular for a number of years now but have become even more popular since the pension annual allowance caps. VCTs are selling out in record time this tax year and, if you want to invest, you must act quickly.

TAX BENEFITS FROM VCTs

- INITIAL INCOME TAX RELIEF OF 30% (IF HELD FOR 5 YEARS)
- TAX-FREE DIVIDENDS
- FREE OF CAPITAL GAINS
- INVEST BETWEEN £3,000 AND £200,000 EVERY TAX YEAR

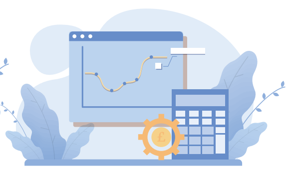
TAX RELIEF EXAMPLE

INITIAL INVESTMENT

£10,000

30% INCOME TAX RELIEF

£3,000



70% EFFECTIVE INVESTMENT COST

£7,000

DON'T MISS OUT – JOIN THE CHELSEA VCT MAILING LIST TODAY

Please contact Peter on either **020 7384 7300** or **peter@chelseafs.co.uk** to receive notifications and personal service.

The economy is slowing, prices are rising, and the UK taxpayer is feeling the pain. Not only are taxes at a 70-year high, but the Chancellor has also turned the screw by freezing income tax thresholds until the 2027/28 tax year* – a move which will see many more taxpayers creep into the higher bands over the coming years.

HOW TO MITIGATE YOUR TAX BILL... AND POTENTIALLY MAKE A PROFIT

All of this can make for bleak reading. However, if you are interested in mitigating some of your income tax bill and comfortable with higher-risk investments, Venture Capital Trusts (VCTs) may be of interest to you. Not only does an investor receive 30p in tax relief for every £1 invested in a VCT share offer, but they will also pay no income tax on dividends, or capital gains tax on profits. Please note, unlike pension and charitable contributions, VCTs do not alter your net adjusted income and therefore would not help to preserve the personal allowance.

NAME OF VCT	TYPE OF VCT	MINIMUM INVESTMENT	INITIAL CHARGE	CHELSEA DISCOUNT	CLOSING DATE ^
British Smaller Companies VCTs	Generalist	£6,000	5.00%	**2% + cashback** of first year trail commission upfront*	31/03/2023
Northern VCTs	Generalist	£6,000	4.50%	**2.75% existing investors** **2.25% new investors** **+ cashback** of first year trail commission upfront*	31/03/2023
Unicorn AIM VCT	AIM	£3,000	5.50%	**3% + cashback** of first year trail commission upfront*	Opening on 6 February 2023, limited capacity

*****Cashback will be paid by cheque. Terms and Conditions apply, see webite for details
^ Subject to remaining capacity. VCT raises often sell out well before the offer closing date.

THREE VCTS TO CONSIDER:

BRITISH SMALLER COMPANIES

The British Smaller Companies (BSC) VCTs have a solid track record and a highly experienced manager, David Hall. Since launch in 1996, BSC has paid 170p per share in dividends. BSC2, which launched in 2002, has paid 81p per share. Over the past five years this translates into average dividend yields of 7.8% and 8.6% respectively. Both portfolios adopt the same strategy and there is a similar split of investments. The current portfolios are tilted toward data and tech enabled business services. They have limited consumer exposure and mainly focus on business-to-business investment.

NORTHERN VCT

The Northern VCTs are among the most established on the market. Prior to 2015, they were heavily focused on Management Buy Out, and pre-2015 investments still make up around a quarter of the existing unquoted portfolio value. Post-2015, the strategy has focused on scale-up capital for earlier stage businesses. Since 2020, exit activity has been broadly positive, with 14 of the 17 exits achieving positive returns. This has included partial sales of Oddbox, at a 11x return and proceeds of £11 million, and musicMagpie, achieving a 7x return and £31 million proceeds. The VCTs target a 5% dividend yield and Northern has always managed to achieve this.

UNICORN AIM VCT

The Unicorn AIM VCT has a market-leading track record and is led by industry veteran Chris Hutchinson. It primarily invests in quoted AIM holdings, although it also invests in some unquoted businesses. For example, Unicorn recently exited Interactive Investor for a 16x return and this was an unquoted trade sale. The VCT does not have a dividend target but has nevertheless achieved a steady flow of dividends and is inclined to pay special dividends on significant exits. In the previous financial year, such special dividends equated to 39p per share. This was possible due to highly successful investments in Augean and the aforementioned Interactive Investor. It is important to note that special dividends of this size are rare and unpredictable, however they also highlight the potential benefits of VCT investing. The portfolio benefits from holding a large number of mature AIM businesses, most of which feature in the top 10 holdings and comprise almost 50% of the portfolio.

***Source:** *https://www.gov.uk/government/publications/lowering-of-the-additional-rate-threshold/income-tax-additional-rate-threshold-from-6-april-2023*

IMPORTANT NOTICE: Please be aware that VCTs are long-term, highly illiquid investments. VCTs usually invest in small, unquoted companies and carry a greater risk than many other forms of investment. In addition, the level of charges is often greater than unit trusts and OEICs. Past performance is not necessarily a guide to the future. The value of investments, and the income from them, can fall as well as rise and you may not get back the amount invested. Chelsea Financial Services offers an execution-only service. If you require investment advice you should contact an expert adviser. Tax relief is restricted to total VCT investments for each investor to £200,000 per tax year. Tax is subject to statutory change and the value of tax relief (if any) will depend upon individual circumstances.

FUNDS UPDATE

JULIET SCHOOLING LATTER
Research director
Chelsea

JOHCM UK OPPORTUNITIES

This fund has a highly-concentrated portfolio of between 20 and 35 mainly large-cap holdings, which are chosen using a combination of macroeconomic analysis and individual company research. Managers Michael Ulrich and Rachel Reutter have a cautious approach, focusing on high quality companies with predictable cash flows and robust balance sheets. They will often hold considerable cash positions (up to 20%) if they find markets to be overvalued and struggle to find attractively-priced opportunities. They aim to generate an absolute return over the long term, rather than to beat a benchmark, with this process having been developed by former manager John Wood. The fund's performance has started to pick up in the past year, having previously been disappointing. We have allocated a 'hold' rating whilst we examine if this strategy can offer sustained success.

JUPITER INCOME TRUST

Having now managed Jupiter Income for over 10 years, experienced manager Ben Whitmore has successfully shown his ability to provide consistent yields and capital growth. Ben has a contrarian value investment style in which he focuses on undervalued companies. Jupiter Income has performed above the sector average by 13% over a 3-year period, as Ben's value approach has been in favour.* We had the chance to speak to Ben in early November and it is evident that this fund is in safe hands, complemented by his continued success in a volatile market. We believe this fund can continue to weather the effects of the current instability in the UK market.

***Performance as at 03/01/23 Data from FE -** *https://www.trustnet.com/factsheets/O/09pu/jupiter-income-trust/*

FTF MARTIN CURRIE UK EQUITY INCOME

Lead manager Colin Morton retired at the end of the year after managing this fund for 32 years. The fund has been a solid, reliable performer delivering a good income and steady performance. It has done well recently, as its large-cap value style has been in favour. Ben Russon is now lead manager but has already been co-manager since 2013. This has been a long and natural transition and we do not expect any radical changes to the fund going forward.

BUY

This indicates a generic, not personal, buy rating for the fund. Chelsea believes the fund could perform above the sector average and that the fund has been, and will continue to be, managed well by the current fund manager. A buy rating is not to be considered as advice on which sector to invest in, nor an indication that funds in that sector are currently performing well.

HOLD

This indicates a generic, not personal, hold rating for the fund. The fund could have recently had a change of fund manager and is under review. If the fund has not been performing well recently, Chelsea believes the current fund manager will be able to improve the fund's performance over the long term or their style or investment approach could come back into favour.

SWITCH

This indicates a generic, not personal, switch rating for the fund. Chelsea believes that the fund will not perform well in the future and that other funds in its sector will perform better. This could be because of consistently poor past performance and there are no good reasons to believe performance will turn around or because there has been a recent change of fund manager, in whom the team have no confidence.

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. Please visit chelseafs.co.uk for terms and conditions. Just complete this form and return it to us. You can recommend as many people as you like – there's no limit.

1 YOUR DETAILS

Title: ☐ Mr ☐ Mrs ☐ Ms ☐ Miss Other:

Full Name:

Email: Phone No:

Address:

Postcode:

2 FRIEND'S DETAILS

Title: ☐ Mr ☐ Mrs ☐ Ms ☐ Miss Other:

Full Name:

Email: Phone No:

Address:

Postcode:

3 FRIEND'S DETAILS

Title: ☐ Mr ☐ Mrs ☐ Ms ☐ Miss Other:

Full Name:

Email: Phone No:

Address:

Postcode:

WE'RE HERE TO HELP

- We're proud to offer our clients a very personal service.
- Unlike others, we're not 'online only'.
- 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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