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VIEWPOINT

THE MAGAZINE FOR CHELSEA INVESTORS

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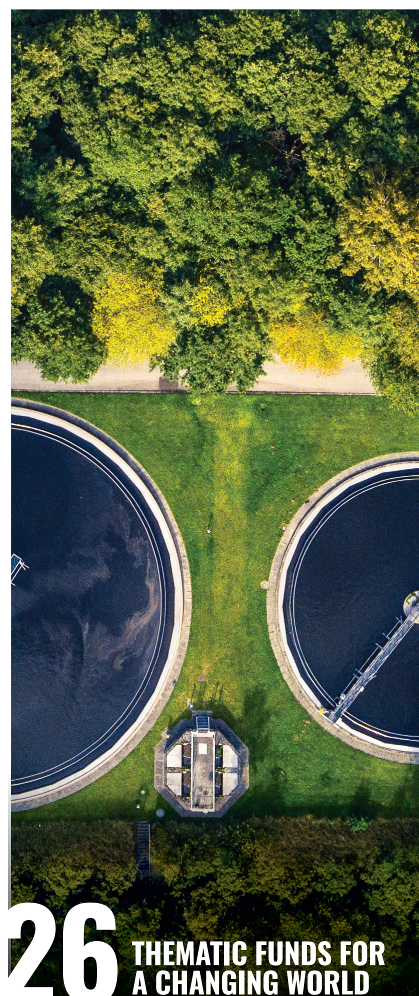

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Please refer to the glossary on our website for further explanation of any technical terminology used within the magazine.

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MARKET VIEW

DARIUS MCDERMOTT
Managing director,
Chelsea

If I were to ask you who was Britain's greatest sports person, which names would come to mind?

I'm betting the likes of Steve Redgrave, Andy Murray, Paula Radcliffe, Lennox Lewis or Lewis Hamilton would pop up quite a few times.

But I wonder how many of you would've heard of Maxwell Woosnam? Born in Liverpool in 1892, Max is often referred to as the 'Greatest British sportsman' in recognition of his achievements. It is a fair statement, as Max was a Manchester City and England footballer, a Wimbledon champion and an Olympic gold medalist. He was also a table tennis pioneer, having famously beat Charlie Chaplin using a butter knife instead of a bat*.

The reason Max comes to mind is because now seems an apt time for investors to take an all-rounder approach to markets, given that they appear to be at a crossroads, with routes to very different economic scenarios.

FALLING INFLATION AND THE END OF RATE RISES.... FOR NOW

For example, last month the Bank of England decided to bring an end to 14 consecutive rate rises, dating back to December 2021. The US also left rates unchanged, giving us the first bit of solid evidence we may be near the end of the rate-rising cycle.

Inflation did come down more than expected in August (it stood at 6.7%), but we've also seen energy prices rise recently, due to supply and demand issues. In a nutshell, it is far from a one-way bet that interest rates and inflation are both set to fall in a straight line from here.

This lack of direction is clearly present in the global economy, as we are still in the midst of a global slowdown, with very little growth to be seen. China has disappointed with its re-opening trade, while economic data is also slowing in the US. We've had so much talk about this being the most anticipated recession in history – but this has still yet to happen and, quite frankly, we don't know if it ever will.

The UK stands out as a prime example of this uncertainty. I remember reading an article in November last year which called it "Britain's non-recessionary recession". The International Monetary Fund seemed certain the UK was set for recession in 2023, only to recently state this was no longer the case**. The reality is either scenario is realistic from here.

BALANCE AND DIVERSITY ARE KEY FROM HERE

From a portfolio perspective, the only trade you needed in the 2010s was quality growth. It's far less transparent now and, as a result, you need a lot more balance in your portfolio to prepare for every potential scenario.

I talked about the attractiveness of fixed income in our previous edition, but to me the opportunity still looks as strong today. If there is a sustained global slowdown in 2024 you might see interest rate cuts, but when rate cuts come, we should actually make a capital gain on our fixed income. Importantly, we are being paid to wait for this scenario, with attractive yields of circa 6-7%.

As for equities, they've been driven by seven stocks in 2023. Nvidia, Microsoft, Apple, Amazon, Tesla, Alphabet and Meta Platforms have accounted for over 60% of the rise in the S&P 500 Index***. We've also seen strong performance from Japan and Europe – two regions which have been unloved for some time. Japan is actually enjoying inflation, after years without it. One company recently raised wages for the first time in 28 years! There is also ongoing corporate change, and the foreign investor is once again looking to Japan.

There are clear opportunities for investors who are willing to be patient. Two areas which do appear attractive are the UK - which still looks incredibly cheap relative to its peers and its own history – and Asia/Emerging Markets. The former is often derided and seen as the "sick man of Europe". The reality is, despite the challenges of the Brexit referendum and the pandemic, UK growth has exceeded many of its peers across Europe. Negative sentiment is what has hit UK PLC; when this changes it is likely to bring significant opportunities for investors. This is particularly true of UK smaller companies, which are incredibly oversold and have traditionally bounced back fast and proven themselves as excellent long-term investments.

The Asia/emerging markets region typically underperforms when there is a market slowdown. However, not only do valuations look attractive, but this part of the world has been forced to go through the inflation bubble earlier, meaning there is more transparency around growth. Furthermore, emerging markets generally racked up much less government debt during covid, so are in a stronger position. China, however, is the exception, with a considerable government debt burden and ongoing geopolitical issues.

My final message would be that while fixed income does look attractive and there are pockets of value in equities, investors should be looking to have as much balance/diversification as possible, as markets search for their new equilibrium.

***Source:** Wikipedia search on Max Woosnam
****Source:** CNBC – May 2023
*****Source:** Liontrust - Staying diversified in a market dominated by the Magnificent Seven - 09/08/2023

CHELSEA TURNS 40

To mark Chelsea's 40th birthday, we asked our Chairman, Dr John Holder, to tell us about the origins of the company and how he started what has become the award-winning, dependable and familiar company that Chelsea Financial Services is today.

WHEN WAS CHELSEA FINANCIAL SERVICES FOUNDED?

Chelsea Investments was formed in 1982 by myself and two others. Chelsea Financial Services was incorporated on 1st June 1983, 40 years ago this year.

WHAT DID THE BUSINESS LOOK LIKE THEN?

In 1983 we sold everything - home insurance, car insurance, business insurance, mortgages, life insurance, pensions, endowments etc. Then in 1984 we began discounting initial commission on unit trusts. We put small adverts in the Daily Telegraph offering 2% discounts and the phones didn't stop ringing!

March 1984 .... 107·30 paybacks.

2% DISCOUNT ON UNIT TRUSTS
WE OFFER THE BEST DEALS ON THE MARKET PLUS EXPERT INVESTMENT ADVICE
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ADDITIONAL DISCOUNTS OFTEN AVAILABLE

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UP 38% IN 7 MONTHS
Minimum Investment £5,000
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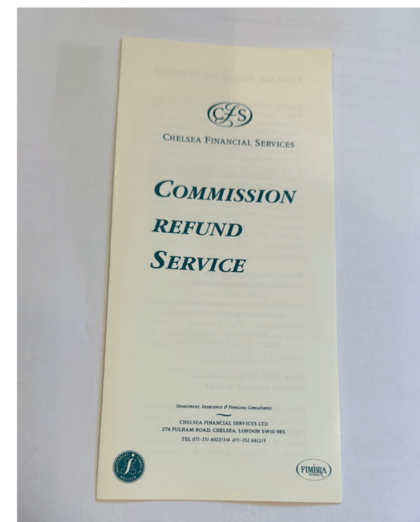
CHELSEA FINANCIAL SERVICES LTD,
274 Fulham Road, Chelsea
London SW10 9EW
01-351 6022
NASDIM

Our Commission Refund Service and the Chelsea Price Promise began to revolutionise the industry. We have since saved our clients tens of millions of pounds.



WHAT CHANGES HAVE YOU SEEN OVER THE PAST 40 YEARS?

In January 1987 Nigel Lawson introduced the PEP (Personal Equity Plan), which was free of CGT and income tax on dividends, and in 1992 Single Company PEPs were launched. At the height of the season we would sometimes process 1,000 PEPs a day!

In 1999, Gordon Brown replaced PEPs with ISAs and they are now our clients' most popular investments, with investors able to save £20,000 each year.

We've been through a lot in these 40 years - the 1987 crash, two Gulf Wars, the tech boom and bust in 2000, 9/11, the financial crisis of 2008, Covid and the Ukraine invasion - to name but a few.

We have weathered the storms and are proud to be flourishing 40 years on.

In 2017, we launched our four Chelsea Managed funds, run by our research team. We have won several awards and continue to deliver outstanding performance for our investors.

HOW WOULD YOU DESCRIBE CHELSEA NOW?

We are proud to provide quality, independent research and a personal service, for which we are renowned and on which our reputation is based. Many of our clients have been with us for decades and most new clients come by recommendations from existing clients. Our investors span many generations and we hope to be looking after our clients over the next four decades.

DR JOHN HOLDER, CHAIRMAN

DARIUS MCDERMOTT, MANAGING DIRECTOR

IN 1983...

First mobile phone was launched

Thatcher re-elected with a landslide victory over Labour's Michael Foot in general election

CD goes on sale in the UK

UK introduced £1 coin

The James Bond films Octopussy and Never Say Never Again are released

THE ISA UPDATE

SAM HOLDER
Operations director,
Chelsea

Clients sometimes ask, "Surely it's better to be in cash at the moment, isn't it?"

Following 14 consecutive rate rises, it's understandable that cash appears to be an attractive option for some investors. However, as interest rates stabilise, the real returns (after adjusting for inflation) on cash may not look as attractive.

In September the Bank of England decided to leave interest rates unchanged. The Federal Reserve did the same thing. Historically, once the Fed halts its rate hikes, bonds tend to outperform cash*. This might therefore be an opportune moment to consider bonds for both income and diversifying your portfolio.

Perhaps take a look at our favourite bond funds in the Chelsea Selection on pages 20 & 21. Additionally, don't miss the piece on pages 8 & 9 that delves into our award-winning **VT Chelsea Managed Monthly Income** fund.

INCOME POTENTIAL

The VT Chelsea Managed Monthly Income fund is currently paying a tax-free income of 5.70%** within an ISA.

VALUABLE TAX-FREE ISA ALLOWANCE

The stocks and shares ISA is our most popular account and investors can shelter up to £20,000 per tax year.

SAVE TAX

ISAs are free from UK income and capital gains tax. Plus, there's no need to mention ISAs on your tax return.

Please note that investments can fall as well as rise in value, so you could get back less than you invest. You should also review a fund's key investors information document (KIID)

***Source:** Bloomberg, J.P. Morgan Asset Management, Federal Reserve. As of July 2023. Performance is not a reliable indicator of current and future results.
****Source:** Valu-Trac/Chelsea Financial Services, 31 August 2023

THE 2023/24 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.

THREE EASY WAYS TO BUY YOUR ISA

Simply call **020 7384 7300**

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

Send us a completed **application form**

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

RISK: THE DANGER OF SELLING LOW

JAMES YARDLEY
Senior research analyst
Chelsea

It's never a nice feeling to open up your latest valuation and see that your portfolio has fallen, but it is an inevitable part of investing.

It is because stock markets are risky, volatile and sometimes go down that they offer such good long-term returns for those who are disciplined. In financial theory you need to be compensated for the extra risk of the stock market. However, it's important to remember that this only holds for the market as a whole and not individual stocks.

I always warn new investors, do not focus on the potential returns you will make, instead have a plan for when markets fall, because they will. They always have in the past, and they will in the future. At some point, the market will drop 20-30%, possibly more. Will you be unable to sleep at night? Will you sell out? If the answer is yes, you need to rethink your strategy and reduce your risk, perhaps by buying lower-risk funds.

The worst thing you can do is experience all the pain of a market fall only to sell out right at the bottom, just before things recover. It will hurt just as much to watch the market go back up. During these tough moments investors always tell me, 'I'll sell now and buy back when the market is lower'. Sadly they never do, because the market always looks scariest right at the bottom, and then it often rallies violently, leaving no time for investors to get back in. Timing the market is almost impossible. By far the best strategy is to stay disciplined, invest for the long term and ride out the inevitable tough periods. 'Time in the market is better than timing the market', as the saying goes.

Sometimes the market can fall very sharply, as during Covid. Other times the market can grind lower and it can be easy to get forced out simply through boredom. Between October 2007 and March 2009 the US stock market fell 56% (including dividends). It was incredibly scary, it felt like the world was ending, but selling then would have been a bad decision. The US market went on to triple over the next five years, easily surpassing its previous peak.* Usually you're much better off buying after a significant market fall rather than selling.

We're going through a pretty tough period at the moment following a sharp rise in interest rates and inflation. Some areas have been particularly badly hit, like UK smaller companies, which are 32% below their peak.**

My suggestion is to have a clear strategy in place before you invest a penny. Expect the market to drop and have a plan ready for when it does. Many of the most successful investors keep investing as markets fall, thereby reducing the average price they pay. Patience, discipline and a calm temperament are the most valuable skills any investor can possess.

***Source:** FE Funds Info 09/03/2009-09/03/2014 Total Return US Dollars
****Source:** FE Funds Info IA UK Smaller Companies 03/06/2021-31/08/2023 Total Return in Sterling

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.

VT CHELSEA MANAGED MONTHLY INCOME FUND

SOWING THE SEEDS OF INCOME PROSPERITY

The VT Chelsea Managed Monthly Income fund was launched in June 2017 with the goal of providing investors with a stable monthly dividend, which would grow steadily over time. We're pleased that both these aims have been achieved. The fund has not only provided the second-best performance in its sector (2/134) since inception, but has also been by far and away the top-performing income fund. This article will help provide deeper clarity on how the fund works, what type of assets we invest in, how the dividend is produced for clients and why we expect this dividend to gradually increase.*

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

THE FUND'S DIVIDEND

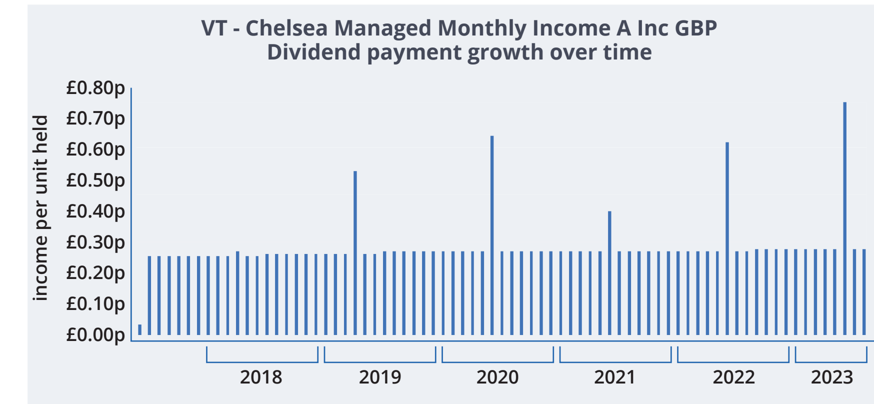
The dividend that is paid out to clients is produced from the income that we receive from the fund's underlying holdings. The total income from all the holdings is the Monthly Income fund's dividend yield. As an example, if the fund's indicated yield is 5.5%, and the current market value of the client's investment is £100,000, they would expect to receive roughly £5,500 over the year. The actual yield may change slightly, depending on the performance of the underlying investments throughout the year.

There are two units of the fund that you can invest in - the accumulation unit and the income unit. With accumulation units, income that is generated from different holdings in the fund each month will be automatically reinvested, which will help grow the overall capital value of your investment. However, with income units, the income produced is paid monthly to you in cash in eleven smooth payments and one final dividend. These smooth payments currently equate to 0.37p per unit of the fund. This means that if you bought the fund when the income unit price was £1, you would receive 0.37% of your investment each month in dividends. In June, the twelfth dividend is paid as a final dividend, whereby we pay clients any remaining income that we have earned throughout the year. This June, this dividend was the largest ever, at over 3.5x the normal monthly payment, which meant that if you bought the fund at £1, you would have yielded close to 5.5% across the full year.

*FE funds info at 02/10/2023.

DIVIDEND GROWTH

As you can see in the chart below, we have grown the dividend over time by increasing the size of regular monthly payments as well as considerably increasing the size of the final distribution. We intend to continue in this vein and sustainably grow the dividend.



MANAGING RISK

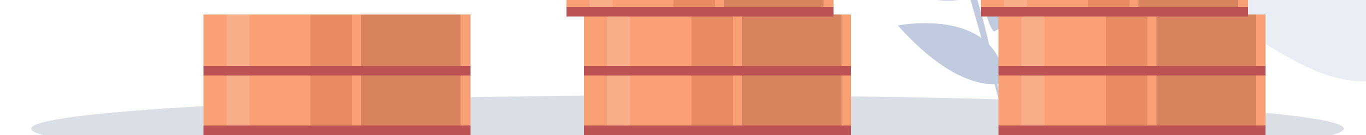
To ensure the stability of the dividend, the income stream is diversified across several different sectors, asset classes and geographies. Diversification helps to manage risk as it dilutes the overall effect of a single investment performing poorly. The assets invested in to obtain this yield vary quite considerably, such as government bonds, global equity income funds, renewable energy, corporate bonds, GP surgeries, supermarkets and music royalty companies, amongst many other things. The fund's alternative investments deliberately target assets that are less exposed to the wider economy to improve the stability of the income.

To take renewable energy (windfarms, solar panels etc.) as an example, many renewable energy trusts currently have a dividend yield of 7-8% and are trading on a 20% discount to their Net Asset Value (NAV). This means that the share price is 20% lower than the stated value of their assets. These are historically low levels for these trusts that normally require investors to pay a premium (a share price higher than the value of the assets). These trusts get their money in two ways - from a government subsidy that is linked to inflation and from the power price. As you will know, the power price was incredibly high last year and remains elevated compared with historical levels, which has helped them generate substantial profits. Even now that power prices have fallen back, these trusts continue to generate profits well in excess of the dividends they pay. This allows them to reinvest cash to grow and gives us great confidence that their dividends can continue to increase in the future. If you can look through the negative market sentiment and take a long-term view, this presents an exciting investment opportunity.

Another type of asset which helps to grow the fund's yield and helps diversification within the funds is music royalty trusts. Put simply, the trusts work by acquiring the copyrights to predominantly western artists' music, normally for a large upfront fee. Once they have ownership of part of the copyright, they produce income whenever these songs are played on Spotify, adverts, TV, movies, computer games and so on. These trusts present an attractive investment opportunity for several reasons. They currently yield between 6-7% and are trading at even wider discounts to their NAVs than renewables, at around 45%**. These trusts are benefitting from a boom in music streaming, with experts forecasting music streaming to grow healthily at around 11% a year to 2030. If these forecasts are accurate and trends such as the growth in Asian demand continue, the music royalty trusts will be clear beneficiaries.

FUTURE OPTIMISM

Hopefully, the above examples give a quick snapshot of the type of assets the fund targets in order to obtain an attractive yield for our clients. This year has been more challenging, and we've seen more fluctuations in capital values, as nervous sentiment has weighed on markets because of high inflation and rising rates. However, this sell-off has given us an incredible opportunity to buy into assets at fantastic value and lock in very attractive dividend yields that will boost the fund's income for the very long term. To add some perspective, the fund sold out of a lot of trusts months ago when they were yielding 4%, and now the same trusts are back in the fund after they've fallen 40-50% at an 8% yield, hence our excitement. We are confident that, despite what might have seemed like a long and gloomy year (especially if you factor in England's weather), we are very well set up going forward and are excited by the future opportunities of many of our holdings.



**Source: www.theaic.co.uk/companydata/hipgnosis-songs-fund as at 03/10/2023.

VT CHELSEA MANAGED

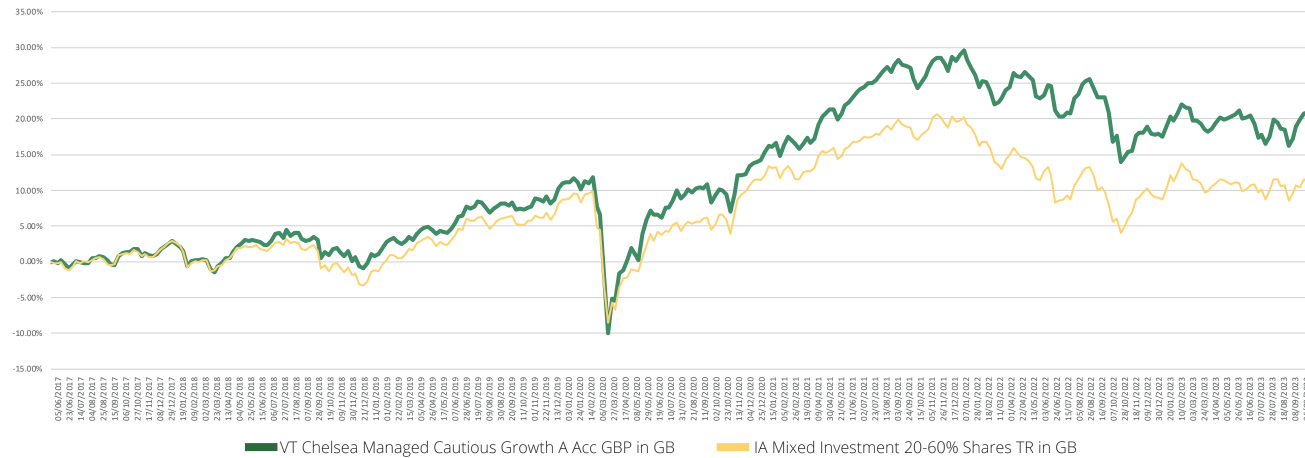
CAUTIOUS GROWTH

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:	1.23%
Payment dates:	30th Jun, 31ST Dec
Indicated yield:	3.28%
Performance since launch:	20.21%
Sector average:	10.65%
Chelsea Risk Rating:	4

PERFORMANCE SINCE LAUNCH



VT Chelsea Managed Cautious Growth A Acc GBP in GB — IA Mixed Investment 20-60% Shares TR in GB

Source: FE Funds Info 05/06/2017-26/09/2023 total return in sterling

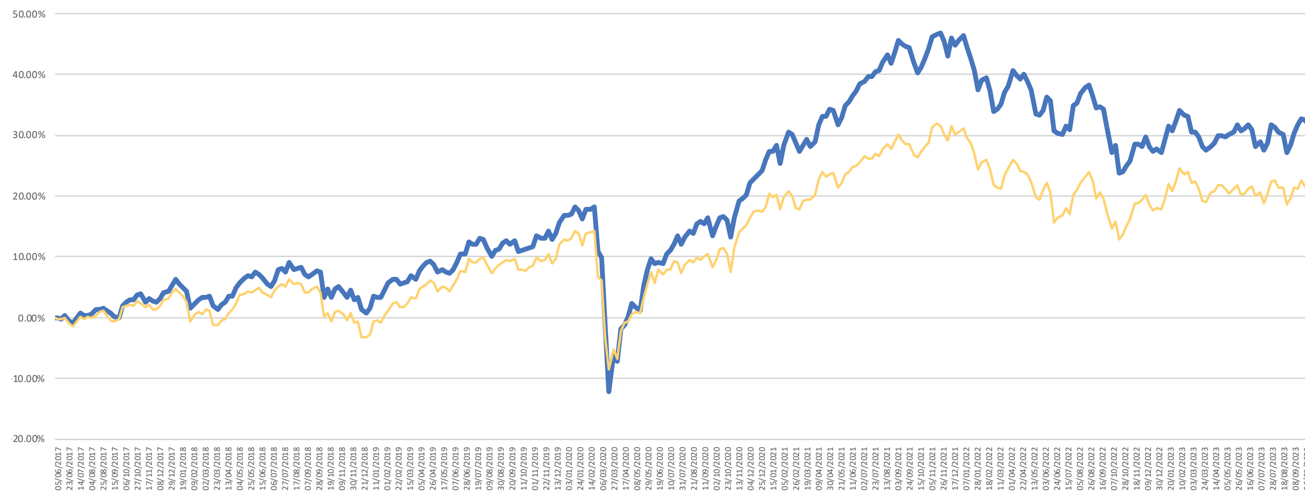
BALANCED GROWTH

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:	1.19%
Payment dates:	N/A
Indicated yield:	N/A
Performance since launch:	31.83%
Sector average:	21.22%
Chelsea Risk Rating:	5.5

PERFORMANCE SINCE LAUNCH



VT Chelsea Managed Balanced Growth A Acc GBP in GB — IA Mixed Investment 40-85% Shares TR in GB

Source: FE Funds Info 05/06/2017-26/09/2023 total return 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.

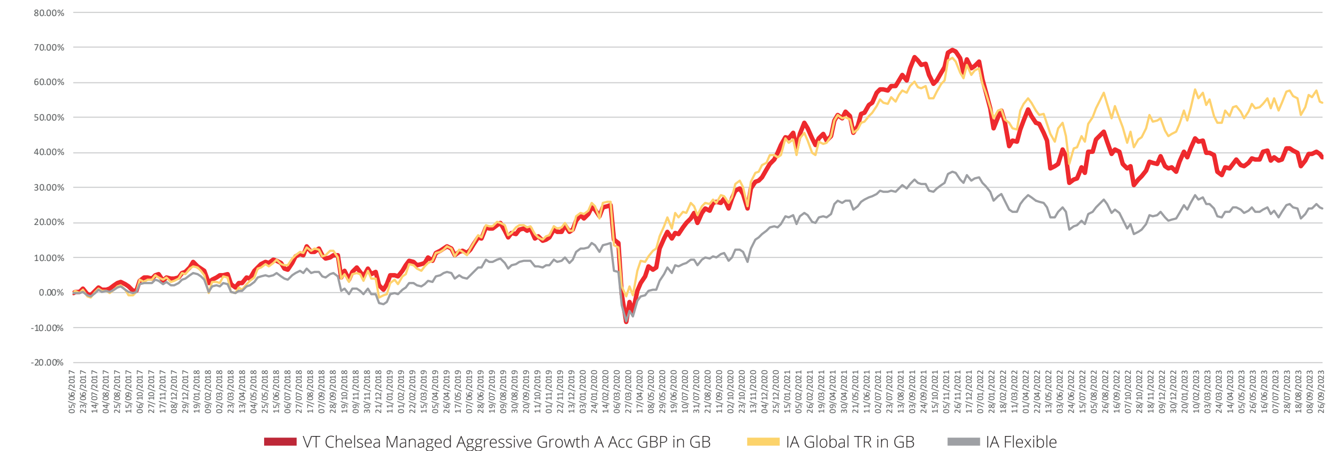
AGGRESSIVE GROWTH

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:	1.20%
Payment dates:	N/A
Indicated yield:	N/A
Performance since launch:	38.52%
IA Global sector average	54.19%
IA Flexible sector average:	23.86%
Chelsea Risk Rating:	7

PERFORMANCE SINCE LAUNCH



VT Chelsea Managed Aggressive Growth A Acc GBP in GB — IA Global TR in GB — IA Flexible

Source: FE Funds Info 05/06/2017-26/09/2023 total return in sterling

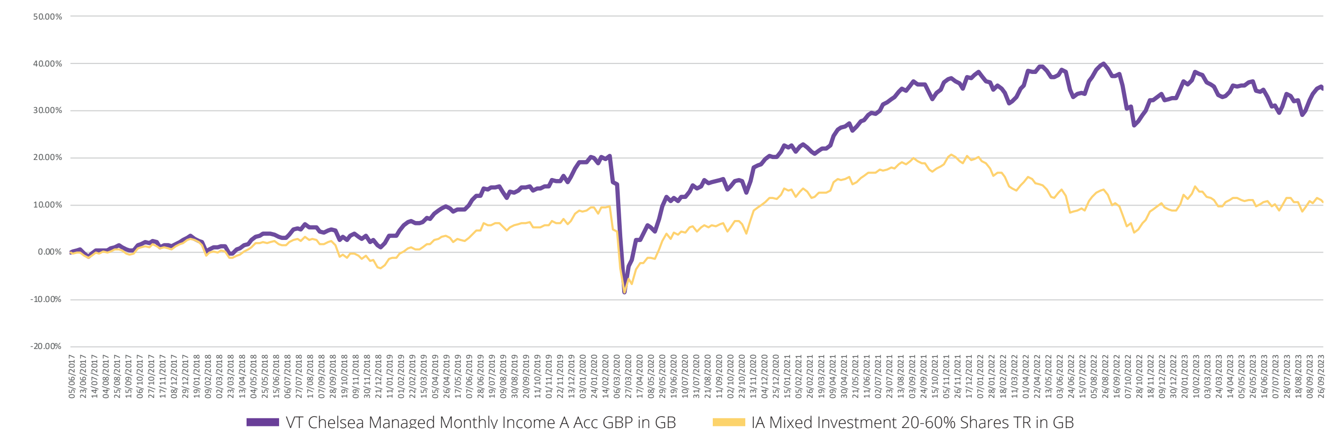
MONTHLY INCOME

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:	1.17%
Payment dates:	Monthly
Indicated yield:	5.70%
Performance since launch:	34.61%
Sector average:	10.65%
Chelsea Risk Rating:	4.5

PERFORMANCE SINCE LAUNCH



VT Chelsea Managed Monthly Income A Acc GBP in GB — IA Mixed Investment 20-60% Shares TR in GB

Source: FE Funds Info 05/06/2017-26/09/2023 total return in sterling

MORE INFORMATION »

For a full list of holdings, plus quarterly factsheets, visit:

www.chelseafs.co.uk/products/vt-chelsea-managed-funds

Indicated yields and Ongoing charges figures (OCFs) correct as at 31/08/2023.

† 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)	0.81%†
FUNDCALIBRE RATING	ELITE
MORNINGSTAR RATING	NEUTRAL
YIELD	0.71%
UNIT TYPE	INC

JOHCM UK DYNAMIC

Alex Savvides has been running this fund since its 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)	0.68%^#*
FUNDCALIBRE RATING	ELITE
MORNINGSTAR RATING	SILVER
YIELD	3.74%
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	SILVER
YIELD	0.34%
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)	0.65%†
FUNDCALIBRE RATING	ELITE
MORNINGSTAR RATING	SILVER
YIELD	1.93%
UNIT TYPE	ACC or INC

LIONTRUST SPECIAL SITUATIONS

This UK multi-cap fund is a 'best ideas' portfolio, encompassing 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	1.93%
UNIT TYPE	ACC or INC

NEW ENTRY

LIONTRUST UK MICRO CAP

Investing in Britain's smallest businesses, with a market capitalisation of less than £150m, this fund applies the team's proven 'economic advantage' investment process to micro-caps - a part of the market that tends to be under-researched. The fund was launched in March 2016 and is run by a team of five. The team undertakes detailed fundamental research, preferring to avoid simplistic screens, which they feel can be misleading. They aim to invest only in profitable companies, which must have at least one intangible asset, such as high recurring venues or a strong brand. This is a long-term, low-turnover strategy. **NB This fund carries a large bid-offer spread, currently around 4%, at the time of going to print.**

CHELSEA RISK RATING	8
ANNUAL MANAGEMENT CHARGE	1.25%#
ONGOING CHARGES FIGURE (OCF)	1.34%†
FUNDCALIBRE RATING	ELITE
MORNINGSTAR RATING	BRONZE
YIELD	0.64%
UNIT TYPE	ACC

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)	0.86%†
FUNDCALIBRE RATING	ELITE
MORNINGSTAR RATING	BRONZE
YIELD	0.31%
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 7 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	SILVER
YIELD	4.05%
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 mainly 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	2.82%
UNIT TYPE	ACC or INC

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	SILVER
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	-
ONGOING CHARGES FIGURE (OCF)	0.66%†
FUNDCALIBRE RATING	ELITE
MORNINGSTAR RATING	SILVER
YIELD	3.35%
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	5.54%
UNIT TYPE	ACC or INC

WS 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 typically have difficult-to-replicate business models, strong market positioning 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	GOLD
YIELD	2.80%
UNIT TYPE	ACC or INC

SPOTLIGHT

WS 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	BRONZE
YIELD	2.30%
UNIT TYPE	ACC or INC

N.B. Chelsea Risk Ratings are based on qualitative and quantitative research, not asset allocation. Please see page 7 for more information. For performance statistics please refer to pages 20-21.

Data sourced from FE (Financial Express) fund info for period up to 21/09/2023 as at 22/09/2023. Yields as at 22/09/2023 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	ELITE
MORNINGSTAR RATING	SILVER
YIELD	0.66%
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	0.74%#
ONGOING CHARGES FIGURE (OCF)	0.79%+
FUNDCALIBRE RATING	ELITE
MORNINGSTAR RATING	BRONZE
YIELD	0.62%
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)	0.80%+
FUNDCALIBRE RATING	ELITE
MORNINGSTAR RATING	NEUTRAL
YIELD	2.17%
UNIT TYPE	INC

NEW ENTRY

LIONTRUST EUROPEAN DYNAMIC

Liontrust European Dynamic is a concentrated fund of around 30-40 holdings. The managers, James Inglis-Jones and Samantha Gleave, believe cash flow is the single most important determinant of shareholder return. They look at around 1,200 companies that have sufficient liquidity within Europe. They then create a 'Cashflow Champions Watchlist'. Stocks are ranked in order of attractiveness across two screens - a quality screen and a value screen - with the top 20% comprising the Cashflow Champions. The managers then conduct fundamental research on each company, carefully examining annual reports and accounts. This is a core European holding which will adapt the portfolio to prevailing market conditions.

CHELSEA RISK RATING	7.5
ANNUAL MANAGEMENT CHARGE	0.75%#
ONGOING CHARGES FIGURE (OCF)	0.86%+
FUNDCALIBRE RATING	ELITE
MORNINGSTAR RATING	SILVER
YIELD	2.67%
UNIT TYPE	ACC or 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	BRONZE
YIELD	0.08%
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	NEUTRAL
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	1.25%
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 7 for further details.

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	BRONZE
YIELD	0.24%
UNIT TYPE	ACC

ASIA PACIFIC, JAPAN AND EMERGING MARKETS

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)	0.75%+
FUNDCALIBRE RATING	-
MORNINGSTAR RATING	NEUTRAL
YIELD	1.47%
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)	1.09%+
FUNDCALIBRE RATING	ELITE
MORNINGSTAR RATING	-
YIELD	1.76%
UNIT TYPE	ACC

JPM JAPAN

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

CHELSEA RISK RATING	10
ANNUAL MANAGEMENT CHARGE	0.75%#
ONGOING CHARGES FIGURE (OCF)	0.81%+
FUNDCALIBRE RATING	-
MORNINGSTAR RATING	GOLD
YIELD	0.55%
UNIT TYPE	ACC or INC

NEW ENTRY

JUPITER ASIAN INCOME

Well-known Asian income manager Jason Pidcock combs the Asia Pacific market in search of large companies with reliable dividends that can deliver both income and growth for investors. The fund aims to capitalise on the opportunities of today, as well as the potential of tomorrow, and the manager is not afraid to hold much more or less of certain countries than its benchmark in pursuit of this aim, with the portfolio currently having no holdings in China. The portfolio tends to have a considerable amount invested in the more developed countries in Asia, due to the importance of a reliable dividend stream. This is a reliable, more defensive fund but performance tends to be very different from its peer group and benchmark.

CHELSEA RISK RATING	7.5
ANNUAL MANAGEMENT CHARGE	-
ONGOING CHARGES FIGURE (OCF)	1.01%+
FUNDCALIBRE RATING	-
MORNINGSTAR RATING	ELITE
YIELD	4.95%
UNIT TYPE	ACC or INC

NEW ENTRY

M&G JAPAN

M&G Japan invests in Japanese firms of any size, with a bias towards small and mid-caps. The managers, Carl Vine and David Perrett, who have worked together for many years, concentrate their efforts on really getting under the skin of the businesses they look at, which adds value in an esoteric market like Japan, and leads to a concentrated portfolio of companies (typically fewer than 50 holdings) of which they have a real in-depth understanding. The fund is unconstrained with regards to the benchmark, so may deviate significantly from the benchmark's constituents. The fund has a slight value bias and has consistently outperformed under Carl's tenure.

CHELSEA RISK RATING	10
ANNUAL MANAGEMENT CHARGE	-
ONGOING CHARGES FIGURE (OCF)	0.53%+
FUNDCALIBRE RATING	ELITE
MORNINGSTAR RATING	NEUTRAL
YIELD	1.40%
UNIT TYPE	ACC

N.B. Chelsea Risk Ratings are based on qualitative and quantitative research, not asset allocation. Please see page 7 for more information. For performance statistics please refer to pages 20-21.

Data sourced from FE (Financial Express) fund info for period up to 21/09/2023 as at 22/09/2023. Yields as at 22/09/2023 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.

ASIA PACIFIC, JAPAN AND EMERGING MARKETS (CONT)

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	NEUTRAL
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 preservationby 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	SILVER
YIELD	0.83%
UNIT TYPE	ACC or INC

GLOBAL

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	GOLD
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	ELITE
MORNINGSTAR RATING	BRONZE
YIELD	0.63%
UNIT TYPE	ACC or INC

RATHBONE GLOBAL OPPORTUNITIES

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

CHELSEA RISK RATING	6.5
ANNUAL MANAGEMENT CHARGE	0.75%^#
ONGOING CHARGES FIGURE (OCF)	0.77%^†
FUNDCALIBRE RATING	ELITE
MORNINGSTAR RATING	SILVER
YIELD	0.29%
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)	0.60%^†
FUNDCALIBRE RATING	ELITE
MORNINGSTAR RATING	-
YIELD	0.21%
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 7 for further details.

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	SILVER
YIELD	4.71%
UNIT TYPE	ACC or INC

MAN GLG HIGH YIELD OPPORTUNITIES

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	0.60%#
ONGOING CHARGES FIGURE (OCF)	0.75%†
FUNDCALIBRE RATING	ELITE
MORNINGSTAR RATING	NEUTRAL
YIELD	6.91%
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	-
ONGOING CHARGES FIGURE (OCF)	0.68%†
FUNDCALIBRE RATING	ELITE
MORNINGSTAR RATING	SILVER
YIELD	6.42
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)	0.73%†
FUNDCALIBRE RATING	ELITE
MORNINGSTAR RATING	NEUTRAL
YIELD	4.12
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	ELITE
MORNINGSTAR RATING	GOLD
YIELD	4.90%
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	NEUTRAL
YIELD	9.45%
UNIT TYPE	ACC or INC

N.B. Chelsea Risk Ratings are based on qualitative and quantitative research, not asset allocation. Please see page 7 for more information. For performance statistics please refer to pages 20-21.

Data sourced from FE (Financial Express) fund info for period up to 21/09/2023 as at 22/09/2023. Yields as at 22/09/2023 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

DR IAN MORTIMER
Co-manager,
Guinness Global Equity Income
Elite Rated by FundCalibre

MATTHEW PAGE
Co-manager,
Guinness Global Equity Income
Elite Rated by FundCalibre

We developed the process behind the fund while working as investment analysts in the aftermath of the 2008 financial crisis. We both have quantitative backgrounds (Matt has a Master's and Ian a DPhil, in Physics from Oxford). Our aim was to develop a strategy that could avoid the worst of market downturns while participating as much as possible in market upside.

Starting with a blank sheet of paper, we researched companies that could withstand a variety of economic conditions. We looked into companies with persistently high return on capital and found that such companies often pay sustainable and growing dividends. We developed this research into an investment process, which, combined with the Guinness house approach of concentrated, equally-weighted portfolios, was brought to life in the Guinness Global Equity Income fund in December 2010. We have managed the strategy together in the 13 years since, supported by a team of analysts.

THE POWER OF DIVIDENDS

Why are dividends helpful to investors looking for resilient companies? Of course there is the income itself, but compounded dividends are very powerful for the long-term investor, and particularly in low-growth environments. Over the various decades from the 1940s, dividends accounted for, on average, 48.9% of total returns in the S&P500 Index. However, in the two lower-growth decades – the 1940s and 1970s – dividends played an even greater role, on average contributing over 75% of total returns.

Driving this is the relative stability of dividend payments compared with earnings. What's more, a history of paying dividends encourages companies to maintain capital discipline – and not spend money on low-return projects. So a strong dividend history becomes a sign of a well-run company. Finally, companies that grow their dividends over time boost the compounding effect of reinvested dividends dramatically.

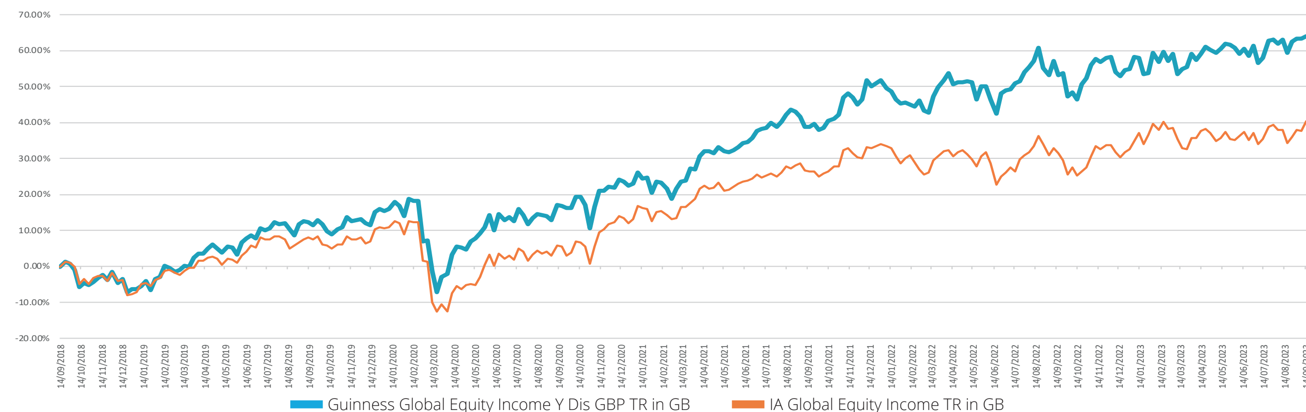
When investing in dividend-paying companies, we don't start by screening for companies with high yields. 'High-yield' stocks can perform poorly in sell-offs because they are often economically sensitive or tightly regulated (such as banks). Instead, we are looking for quality companies able to pay sustainable and growing dividends, and set a high hurdle for persistent cash returns to ensure we are selecting from the best. We look for 10 consecutive years of high cash returns to find the companies which can prosper throughout the economic cycle. Further quality screens, including a focus on balance sheet strength and crucially the valuation of a potential investment, narrow down the universe further before we consider yield.

SEEKING POTENTIAL GROWTH

This leads us beyond the traditional 'income' sectors towards stocks that might not have such high yield, but great potential for dividend growth, such as industrials – where we hold Atlas Copco, a Swedish manufacturer of compressors – and IT – where we hold Texas Instruments, a semiconductor maker.

We do hold consumer staples, but with a focus on quality and dividend growth. Staples have proven their worth this year, demonstrating the power of a global equity income approach in an inflationary environment. The recent results of the fund's consumer staples holdings showed they have collectively increased prices year-on-year by 10.2%, with volume declines of just 1.8%. They are forecast to increase their operating margins next year, suggesting they can weather inflation by passing through increases in costs.

Global equity markets remain in a delicate situation as the data on inflation, growth and interest rates paint an ever more nuanced picture. The stable earnings profiles of the quality companies we identify, and their ability to pay reliable dividends, are therefore especially valuable in this volatile and potentially lower-growth environment.



Source: FE fundinfo, 14/09/2018 to 14/09/2023, total returns, net of fees, in sterling

CORE SELECTION SPOTLIGHT

RUSSELL CHAMPION
Fund manager,
Premier Miton European Opportunities
Elite Rated by FundCalibre

HIGH-PERFORMANCE CARS, PEPTIDES AND FUND POSITIONING

I am co-manager of Premier Miton European Opportunities, alongside Carlos Moreno and Thomas Brown. My first venture was in technology, while I was still at school. With a couple of friends, we helped other friends and family use the internet for the first time through building PCs and offering support. We then followed that up with creating a technology business in a gap year before university. It was the dotcom boom and we thought we could profit from all the new opportunities the internet enabled.

At Southampton University I studied Aerospace Engineering. Post University I joined Fidelity International as the European Technology Analyst and here I met Carlos. I often came across Thomas Brown in group company meetings and enjoyed his probing questions into the sustainability of their business model. It has been great working with them at Premier Miton as we share a common philosophy while often approaching things from slightly different viewpoints.

THINKING LIKE A SHAREHOLDER

Having started my fund management career at Fidelity, their values shaped my philosophy and process. The ability to think long term but check the investment model and forecasts were consistent in the near term. My real-life experience of setting up a technology company, growing it, sitting on the board, and ultimately selling it over a 15-year period also enhanced my ability to think like a long-term shareholder. ESG (Environmental, Social and Governance) concerns and solutions have been a key consideration for me since I started.

FUND PROCESS AND STOCK STORIES

Premier Miton European Opportunities invests in quality companies. Quality for us means investing in those companies that we believe have the potential to generate a high return on capital. Simply put, businesses with differentiated products or services where competitors struggle to match up, allowing for the potential for sustainable high returns and great cash generation. For example, Ferrari - while we acknowledge that a McLaren or Aston Martin are similar, in our view, they do not have the brand and legacy of the roaring prancing horse to charge a higher price. Will they continue this success into an electrified environment? A great question and a good example of what investors trust us to monitor and make decisions on.

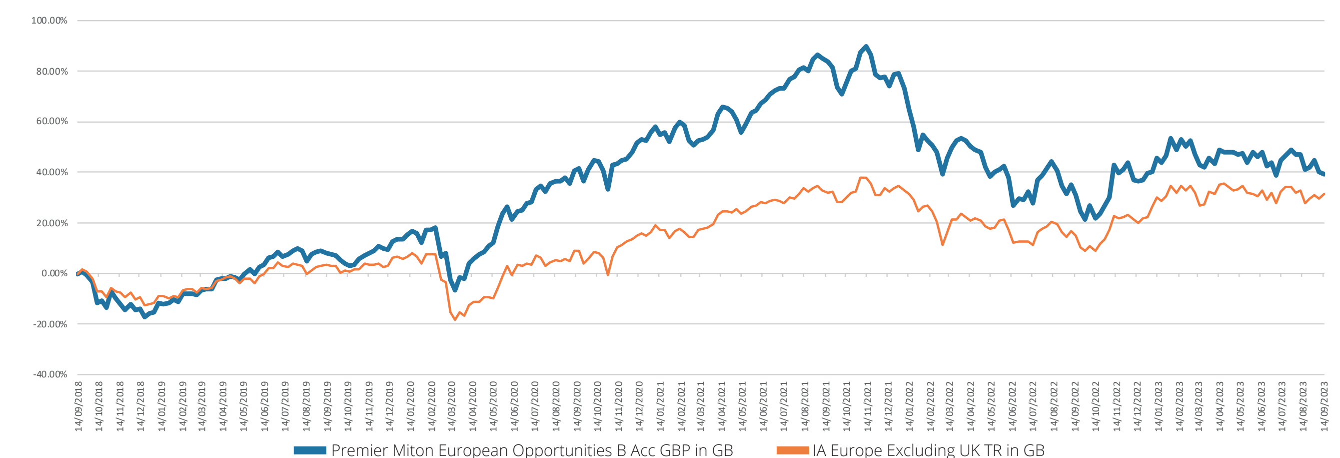
Then there is Amplifon, the largest retailer of hearing aids globally. Here scale and service matter. They have scale to buy from the large manufacturers, arguably better than their smaller peers, and advertise nationally on TV and other formats. In geographies where they gain market leadership, it is very hard for the small competitors to match their offer, meaning they can consolidate weaker players, further building scale. Will this market be disrupted by an Apple hearing aid for example? It's our job as fund managers to understand and manage that potential development.

LOOKING TO THE FUTURE

Spotting future trends is also important. Peptide-based drugs called GLP-1s have recently been all over the news as celebrities joked about using the fat-busting jabs at the Oscars earlier in the year, causing huge public demand. Peptides are sold in dietary supplements including pills or protein shakes. They claim to help you build muscle, boost weight and fat loss, and help with muscle recovery.

These drugs have been in the pipelines of diabetes pharmaceutical companies for years. We were able to spot interesting medium-sized companies that could potentially benefit, like Ypsomed, for the delivery systems and Polypeptide in the manufacture of the active ingredients. Ypsomed is a leading developer and manufacturer of injection and infusion systems for self-medication.

Spotting the next trend is what makes our jobs fascinating and rewarding when you get it right.



Source: FE fundinfo, 14/09/2018 to 14/09/2023, total returns, net of fees, in sterling

THE CHELSEA SELECTION

Fund	Elite Rating	Chelsea Risk Rating	1 YEAR % Growth	Rank	3 YEAR % Growth	Rank	5 YEAR % Growth	Rank	10 YEAR % Growth	Rank	% Yield	Fund Size(m)
UK ALL COMPANIES												
Artemis UK Select	-	7	18.97	2	64.61	12	38.12	4	104.89	9	2.73	£1,771.4
(Core) IFSL Marlborough Multi-Cap Growth	Elite	7	7.71	141	2.71	215	0.37	182	94.64	19	0.71	£175.4
IFSL Marlborough Special Situations	Elite	7.5	-8.88	239	-6.17	223	-10.29	207	88.60	27	1.11	£776.4
(Core) JOHCM UK Dynamic	Elite	6.5	14.63	12	72.00	8	18.51	85	85.70	29	3.74	£1,344
Jupiter UK Special Situations	Elite	6	11.01	45	66.25	9	26.24	22	89.60	25	3.18	£2130.9
(Core) LF Lindsell Train UK Equity	Elite	6.5	8.94	99	15.11	176	22.71	43	120.95	6	1.93	£4,267
(Core) Liontrust Special Situations	Elite	6	5.65	170	18.84	159	17.15	92	105.90	8	1.93	£4,321.4
(Core) MI Chelverton UK Equity Growth	Elite	7.5	-7.06	233	14.08	182	28.44	13	-	-	0.31	£752.1
(Core) Montanaro UK Income Seed^	Elite	7.5	6.32	163	12.26	189	7.37	145	75.34	40	3.60	£573.3
Schroder Recovery	Elite	7.5	10.79	51	76.29	4	20.15	71	74.76	39	3.23	£895.6
Slater Growth	Elite	7	-8.83	238	4.78	210	15.69	106	128.43	5	0.69	£803.7
VT Downing Unique Opportunities	Elite Radar	7	-1.48	223	11.65	189	-	-	-	-	-	£44.3
(Core) WS Evenlode Income	Elite	5	9.43	89	25.35	134	30.93	9	132.88	4	2.80	£3,467
Sector Average			**7.20**	**241**	**29.34**	**231**	**11.28**	**220**	**57.81**	**189**	**-**	**-**
UK EQUITY INCOME												
Artemis Income	Elite	5	9.62	21	40.65	38	23.88	12	78	13	3.82	£4,501.2
Janus Henderson UK Responsible Income (ESG)	Elite	6	9.49	23	31.48	56	22.03	17	78.09	12	4.70	£446.7
LF Gresham House UK Multi Cap Income	Elite	7.5	6.85	50	31.69	55	33.90	4	-	-	4.22	£489.7
(Core) Man GLG Income**	Elite	6.5	12.06	9	55.73	14	22.01	19	108.42	1	5.54	£1,454.5
Rathbone Income	Elite	5	7.43	46	43.20	32	19.34	25	69.81	19	4.48	£689.2
Sector Average			**7.16**	**79**	**40.54**	**76**	**14.84**	**74**	**60.05**	**64**	**-**	**-**
UK SMALLER COMPANIES												
Fidelity UK Smaller Companies NEW ENTRY	-	8	9.18	1	67.78	1	38.56	1	140.33	3	2.21	£574
IFSL Marlborough UK Micro-Cap Growth	Elite	8	-7.77	39	-5.59	37	-4.31	26	104.51	9	0.13	£700.4
(Core) LF Gresham House UK Micro Cap	Elite	8	0.45	12	4.34	30	2.17	15	130.45	5	0.34	£207.6
(Core) Liontrust UK Micro Cap	Elite	8	-0.68	16	25.08	7	33.26	3	-	-	0.64	£146.6
TB Amati UK Listed Smaller Companies**	Elite	8	-10.16	44	-6.91	39	-6.69	31	125.78	6	2.40	£544.6
Sector Average			**-3.03**	**48**	**7.74**	**46**	**-1.76**	**44**	**75.86**	**40**	**-**	**-**
STERLING CORPORATE BOND												
(Core) Artemis Corporate Bond	Elite	2.5	3.24	32	-10.08	23	-	-	-	-	4.71	£1,326.8
BlackRock Corporate Bond	Elite	2.5	4.68	6	-12.99	36	-0.77	30	29.94	6	4.42	£1,058.2
Man GLG Sterling Corporate Bond	-	3.5	15.96	1	-	-	-	-	-	-	7.79	£614.4
(Core) Rathbone Ethical Bond (ESG)	Elite	2.5	3.63	24	-10.85	29	3.22	10	38.79	2	4.90	£2,118.3
Royal London Corporate Bond	Elite	2.5	3.88	21	-8.59	19	4.22	7	38.76	3	5.19	£1,142.5
TwentyFour Corporate Bond	Elite	2.5	-16.10	68	-12.57	59	-6.46	60	-	-	3.42	£1,422
Sector Average			**2.62**	**98**	**-13.40**	**95**	**-1.08**	**87**	**23.69**	**69**	**-**	**-**
STERLING HIGH YIELD BOND												
(Core) Man GLG High Yield Opportunities	Elite	4	7.18	14	16.97	2	-	-	-	-	6.91	-
Sector Average			**7.25**	**31**	**4.14**	**29**	**9.50**	**-**	**33.46**	**-**	**-**	**-**
STERLING STRATEGIC BOND												
Aegon Strategic Bond	Elite	4	-1.17	76	-9.44	59	8.10	20	25.25	29	5.83	£361
Invesco Tactical Bond NEW ENTRY	Elite Radar	3.5	2.45	43	1.28	19	14.03	10	30.17	22	4.09	£938.4
Janus Henderson Strategic Bond**	-	3	-4.29	83	-17.56	75	-2.69	61	19.37	42	3.50	£2,634.4
(Core) Nomura Global Dynamic Bond (Hedged)#	Elite	4	1.74	55	-9.77	60	7.81	22	-	-	4.12	£1,863.1
(Core) TwentyFour Dynamic Bond	Elite	3.5	3.42	31	-4.27	37	4.40	37	34.40	12	9.45	£1,547.5
Sector Average			**2.28**	**86**	**-5.91**	**81**	**4.98**	**71**	**26.42**	**51**	**-**	**-**
TARGETED ABSOLUTE RETURN*												
Janus Henderson Absolute Return	Elite	4	6.94	-	9.24	-	13.12	-	37.25	-	1.30	£973.2
Sector Average			**2.25**	**-**	**8.44**	**-**	**9.75**	**-**	**22.40**	**-**	**-**	**-**
EUROPE EXCLUDING UK												
(Core) BlackRock Continental European Income	Elite	7	11.55	110	18.20	92	36.23	27	119.92	24	4.05	£1,470.7
(Core) BlackRock European Dynamic	Elite	7	17.44	50	21.08	90	49.52	7	175.36	5	0.66	£3,800.1
(Core) CT European Select	Elite	7	17.94	42	11.41	108	36.20	28	123.15	18	0.62	£1,361.7
Fidelity European NEW ENTRY	Elite	6.5	15.97	77	30.44	40	48.78	8	147.65	8	1.50	£4,151.2
FTF Martin Currie European Unconstrained	Elite	7.5	4.75	131	-1.44	125	32.58	47	80.54	85	0.48	£52.5
(Core) IFSL Marlborough European Special Situations	Elite	8	3.84	134	31.96	32	47.32	9	217.12	1	2.17	£236.3
Jupiter European Smaller Companies^	Elite Radar	8	9.35	10/27	-3.46	23/27	-	-	-	-	0.61	£12.2
(Core) Liontrust European Dynamic NEW ENTRY	Elite	7.5	20.29	20	64.04	2	63.86	3	187.31	3	2.67	£911.7
(Core) Premier Miton European Opportunities SPOTLIGHT	Elite	7.5	6.74	128	-0.38	124	36.72	24	-	-	0.08	£1,248.2
Sector Average			**15.03**	**144**	**22.89**	**131**	**28.28**	**119**	**100.32**	**97**	**-**	**-**
NORTH AMERICA												
(Core) AXA Framlington American Growth	Elite	7	8.01	56	39.85	97	82.92	10	329.24	7	-	£1,002.9
Baillie Gifford American**	Elite	7.5	1.89	176	-25.18	218	36.62	172	300.71	15	-	£2,825
Brown Advisory US Flexible Equity**#	Elite	7	13.59	14	39.92	96	71.81	31	-	-	1.02	£465.6
(Core) Fidelity Index US	Elite	7	6.38	100	45.93	40	72.30	28	286.54	21	1.25	£4,735
FTF Martin Currie US Unconstrained	Elite Radar	7	6.35	101	10.12	204	47.39	138	210.62	85	-	£119.2
(Core) Premier Miton US Opportunities	Elite	7	1.18	180	37.79	122	63.76	78	255.17	53	0.24	£1,334.6
Sector Average			**5.02**	**245**	**36.01**	**221**	**57.21**	**197**	**223.86**	**122**	**-**	**-**
JAPAN												
Baillie Gifford Japanese**	Elite	10	-0.34	83	-6.78	72	3.14	64	107.34	24	1.47	£1,999.4
FSSA Japan Focus	Elite	10	-6.39	88	-21.37	80	4.14	62	-	-	0.12	£169.6
(Core) JPM Japan	-	10	5.20	74	-14.87	76	10.03	55	129.26	9	0.55	£967.6
Jupiter Japan Income	-	9.5	9.81	59	12.98	50	31.10	12	134.96	6	2.41	£1,113.9
(Core) M&G Japan	Elite	10	19.97	11	49.86	5	35.78	6	151.05	3	1.40	£1,686.4
Pictet Japanese Equity Selection	Elite	9.5	8.46	65	25.17	14	31.20	11	117.39	14	-	£542.2
Sector Average			**11.14**	**92**	**11.59**	**86**	**18.77**	**76**	**104.19**	**57**	**-**	**-**
ASIA PACIFIC EXCLUDING JAPAN*												
(Core) Baillie Gifford Pacific	-	8.5	-6.51	82	-0.18	56	54.55	2	196.79	1	1.47	£2,514.6
(Core) Fidelity Asia Pacific Opportunities	Elite	8	0.54	14	15.34	23	48.99	3	-	-	0.00	£1,638
Fidelity Asian Dividend	Elite	7.5	-3.88	48	17.34	17	23.86	31	116.22	15	3.10	£87
(Core) FSSA Greater China Growth^	Elite	10	-9.11	4/67	-10.23	2/58	20.81	8/49	120.33	6/35	1.76	£491.8
Guinness Asian Equity Income#	Elite	8	1.09	9	15.00	27	16.50	51	-	-	3.35	£ 207.3
Invesco Asian (UK)**	Elite	8	0.67	12	22.57	7	34.31	9	153.03	4	2.29	£2,310.4
(Core) Jupiter Asian Income	Elite	7.5	2.22	6	32.62	3	46.80	6	-	-	4.95	£1,292.6
Schroder Asian Income	Elite	7.5	-1.33	28	19.06	13	26.31	18	104.24	22	4.53	£1,244.6
(Core) Stewart Investors Asia Pacific Leaders Sustainability	Elite	7.5	-5.44	-	15.02	-	30.49	-	122.04	-	0.83	£ 6,262.8
Sector Average			**-4.70**	**120**	**2.13**	**109**	**18.33**	**102**	**85.12**	**80**	**-**	**-**
GLOBAL EMERGING MARKETS												
Alquity Indian Subcontinent**#	Elite Radar	10	-0.47	12/24	88.05	2/23	58.96	12/20	-	-	-	£ 24.7
Aubrey Global Emerging Markets Opportunities**#		10	-11.64	164	-13.48	131	31.27	14	-	-	-	£244.1
GQG Partners Emerging Markets Equity NEW ENTRY	-	10	3.31	26	5.80	46	43.95	4	-	-	-	£1,830.1
GS India Equity Portfolio#	Elite	10	2.42	6/24	68.44	10/23	81.67	2/20	-	-	-	£399.9
Invesco Emerging Markets ex China (UK) NEW ENTRY	-	10	11.93	1	68.60	1	30.10	17	15.73	90	2.40	£159.3
M&G Global Emerging Markets NEW ENTRY	-	10	7.61	6	40.27	2	32.24	12	73.25	25	2.87	£616.1
(Core) Redwheel Global Emerging Markets	-	10	-4.10	104	2.23	58	16.39	46	-	-	-	£1,240.8
Sector Average			**-1.69**	**166**	**0.40**	**149**	**11.16**	**128**	**49.65**	**95**	**-**	**-**
GLOBAL												
BlackRock Global Unconstrained Equity NEW ENTRY	Elite	7	15.71	18	43.33	42	-	-	-	-	-	£622.2
(Core) Fundsmith Equity	Elite	6	9.66	98	22.41	243	55.66	54	299.11	3	-	£23,359
LF Blue Whale Growth	Elite	8	16.30	10	8.57	381	46.92	134	-	-	-	£803.3
Montanaro Better World	Elite Radar	8	-7.11	504	-4.09	431	20.14	337	-	-	-	-
(Core) Ninety One Global Environment (ESG)	Elite	7.5	-8.13	509	19.66	272	-	-	-	-	0.63	£1,983.8
Pictet Global Environmental Opportunities (ESG)	Elite	7.5	1.10	410	20.05	268	54.27	68	193.59	42	-	£6,272.8
(Core) Rathbone Global Opportunities	Elite	6.5	10.26	82	13.98	330	48.02	123	222.27	10	0.29	£3,484.9
(Core) T. Rowe Price Global Focused Growth Equity	Elite	7.5	6.44	239	17.35	299	67.93	15	-	-	0.21	£382.9
WS Evenlode Global Equity NEW ENTRY	Elite	6	10.23	83	39.31	59	-	-	-	-	0.40	£253
Sector Average			**4.84**	**531**	**23.24**	**455**	**38.95**	**386**	**134.46**	**237**	**-**	**-**
GLOBAL EQUITY INCOME												
(Core) Fidelity Global Dividend	Elite	6	8.18	17	25.20	35	46.28	13	156.90	7	2.82	£3,496
JPM Global Equity Income	Elite	6.5	6.41	29	48.47	7	68.29	2	190.83	2	2.51	£626.9
(Core) M&G Global Dividend	Elite	7	4.53	43	39.87	17	40.45	18	133.19	13	3.35	£2,251.4
(Core) TB Guinness Global Equity Income# SPOTLIGHT	Elite	6.5	7.82	18	-	-	-	-	-	-	2.30	£116.4
Thesis TM Redwheel Global Equity Income	Elite	6	5.09	38	-	-	-	-	-	-	1.20	£281.2
WS Evenlode Global Income	Elite	6	6.91	26	26.01	35	50.83	9	-	-	2.10	£1,858
Sector Average			**7.15**	**55**	**33.76**	**51**	**37.69**	**47**	**114.43**	**32**	**-**	**-**
MISCELLANEOUS*												
AXA Framlington Global Technology	Elite	10	7.04	24/28	23.41	11/27	82.80	8/26	433.02	4/13	-	£1,241.5
CT European Real Estate Securities	Elite	7	-3.34	-	-15.87	-	-15.72	-	74.59	-	-	£20.2
Fidelity Global Technology	Elite	10	13.21	15/28	53.94	3/27	131.79	3/26	564.40	1/13	-	£14,023.5
FTF ClearBridge Global Infrastructure Income^	-	5	-12.91	20/31	23.71	7/26	55.62	1/24	-	-	5.41	£1,314.3
Jupiter Financial Opportunities	Elite	8	5.40	4/14	0.88	8/14	14.91	8/12	103.98	5/8	1.90	£413.9
(Core) M&G Emerging Markets Bond	Elite	4.5	4.25	5/21	1.13	2/20	20.70	1/17	80.59	1/10	6.42	£1,559.6
Polar Capital Biotechnology#	Elite	10	-2.75	-	13.18	-	58.88	-	-	-	-	£1,459.2
Polar Capital Global Insurance	Elite	7	12.96	1/14	60.90	1/14	61.84	1/12	246.03	1/8	-	£20,72.2
Polar Capital Healthcare Opportunities#	Elite	8	-2.18	10/20	19.00	9/16	33.73	9/12	229.12	2/7	-	£1,255.6
VT Gravis UK Infrastructure Income	Elite	4.5	-17.46	27/31	-1.95	23/26	8.75	20/24	-	-	5.48	£695.7

(ESG) Environmental, social and governance (ESG) funds
(Core) Funds featured in The Chelsea Core Selection (see pages 12-17).
Elite: Funds that are Elite Rated by FundCalibre.
Elite Radar: 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 22/09/2023 as at 21/09/2023.

Yields per annum as at 22/09/2023 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.

** Where the history of this unit/share class has been extended, at FE fundinfo'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.

UK - DOWN BUT NOT OUT

UK equities are cheap and unloved. They have underperformed US equities by 200% over 10 years*, and many UK investors have looked overseas for better returns. In addition, most global investors are ignoring the UK, instead focusing on fashionable US tech stocks. But that is the past, and future returns may look very different.

The UK stock market has a big weight in old world sectors, such as financials, oil & gas, mining and tobacco. These sectors are known as 'value', which, until the recent uptick in inflation, had been unfashionable, compared with more 'growthy' sectors. However, there is also far more to the UK market below the surface, with thousands of smaller companies in every industry you could imagine.

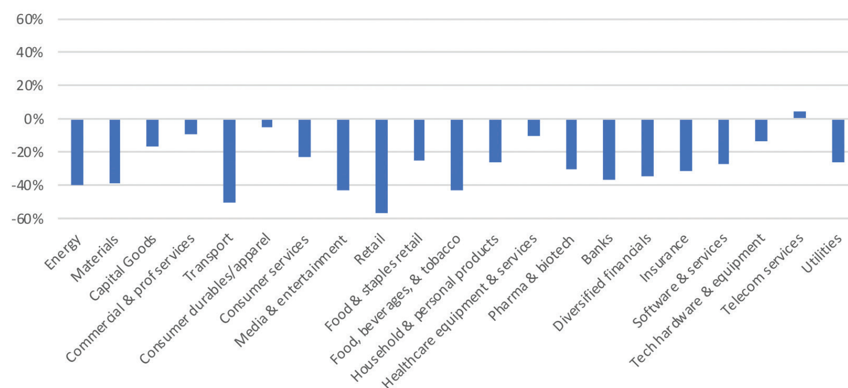
As research from our friends at Schroders shows (see chart), almost every UK sector is trading at a substantial discount to their US peers. So, even if we strip out tech, the UK is still relatively much cheaper across the board. This doesn't really seem to make much sense, given many of these are global businesses, which get most of their profits from outside the UK. Why should a multi-national company listed in the UK be cheaper than a multi-national company listed in the US?

It is easier to make money when starting from cheap valuations and the best returns are often had by going against the herd. And there are other reasons to think the UK may do better in the future. The world has changed post Covid and we have higher interest rates and inflation. This should be more beneficial to a value market like the UK. UK companies are also starting to invest for the future, rather than just paying high dividends which they sometimes struggled to afford in the past. The UK government is also keen to increase the attractiveness of the UK market.

So for these reasons, we think it might be time to have a look at the UK again, and we have highlighted three interesting funds, which each look at different areas of the UK market.

Almost all UK industries trade at a discount to US peers

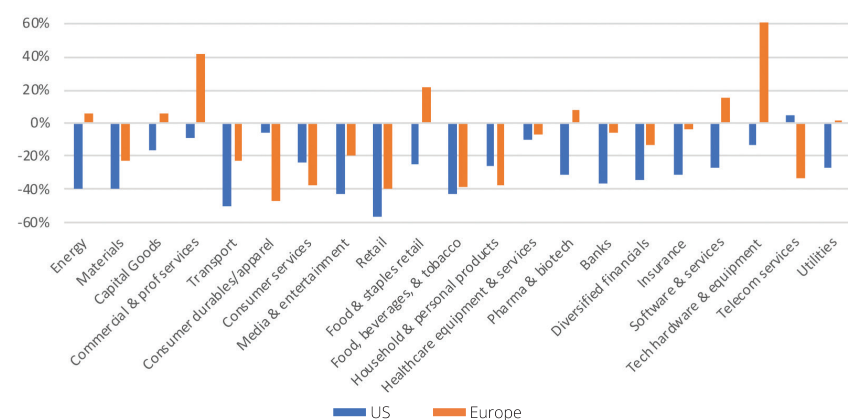
UK forward price/earnings multiple discount (negative) or premium (positive) to US equivalent



Premium/discount based on forward price/earnings multiples for industry groups in MSCI UK and MSCI USA. Semiconductor and autos sectors excluded as there are only one and two companies in each of these UK industry groups, respectively. As at 31 July 2023. Source: Refinitiv and Schroders

Almost all UK industries trade at a discount to US and European peers

UK forward price/earnings multiple discount (negative) or premium (positive) to US and European equivalent



Premium/discount based on forward price/earnings multiples for industry groups in MSCI UK, MSCI USA, and MSCI EMU. Semiconductor and autos sectors excluded as there are only one and two companies in each of these UK industry groups, respectively. As at 31 July 2023. Source: Refinitiv and Schroders

***Source:** *FE Funds Info S&P 500 vs MSCI United Kingdom Total Return in Sterling. 10 years to 22/09/2023.*

NICK SHENTON

Fund manager,
Artemis Income
Elite Rated by FundCalibre

Our aim is to provide investors with attractive total returns through a combination of income (by passing on dividend payments from the companies we invest in) and capital growth. Those dividends, however, are often the last thing we discuss with company management teams. We are much more interested in their free cashflow, which we believe is what ultimately drives a company's share price and underpins its dividend payments. We want to learn how companies plan to reinvest and so protect and enhance those free cashflows.

As such, our analysis focuses on identifying cashflows that the market currently underappreciates, in terms of either their duration or their growth. Sometimes, we find companies that we believe can generate attractive free cashflows for longer than the market expects. In other cases, it may be that we believe a company can grow its cashflows more quickly than the market has realised.

Because we believe our skill lies in forecasting those future cashflows, as opposed to ephemeral factors such as interest rates or currency movements, we are agnostic towards labels such as 'growth' or 'value'. Nor are we preoccupied by whether a company's sales are focused on its domestic market or overseas. If we believe we have a compelling investment thesis and have identified undervalued cashflows, we are happy to invest. The result is a portfolio of around 50 stocks that is diversified by sector, industry, geography and investment style.

This approach has served us well, we think; the fund has outperformed the FTSE All-Share index by over 3.4% per annum across a range of market environments since its inception 23 years ago.

SOME STOCK EXAMPLES

A decade ago, Pearson's focus was on publishing textbooks for the US higher education sector. Today, however, it is on its way to becoming a global digital learning and media company under the leadership of ex-Disney executive Andy Bird. We can see a pattern repeating here that we have previously observed at other successful digital-transformation investments such as RELX (which we still hold today).

Our extensive analysis of Next leads us to believe that much of its future cashflow potential lies not in high-street retailing but rather in 'Total Platform'. This part of Next's business provides highly efficient logistics and distribution to a growing number of brands such as Reiss, Laura Ashley and Victoria's Secret. We believe Total Platform can generate cashflow growth for Next for years to come.

THE CHELSEA VIEW

This fund has been a stalwart of the UK equity income sector for over two decades. Adrian, Andy and Nick have a preference for large-caps and focus their analysis on a company's cash flows and how this will drive future dividends. We expect this all-weather fund to continue in fine fashion.

Chelsea Risk Rating: 5
AMC: 0.75%
OCF: 0.80%
Yield: 3.82%

ALEX WEDGE
Co-manager,
Liontrust UK Micro Cap
Elite Rated by FundCalibre

IS NOW THE TIME TO LOOK FURTHER DOWN THE CAP SCALE?

We believe that now is a particularly exciting time to invest in the micro-cap part of the UK stock market, as we have seen a big fall in the rating investors have to pay to acquire shares in these companies. This is in contrast, for example, to the relative strength of larger companies in the FTSE 100 over the same period.

In the same calendar year, the AIM All-Share Index was down around 30%, and up to the 18th August of this year is down by another 10%, allowing the Liontrust UK Micro Cap fund to add new investments and top up existing holdings at much lower prices in some of the most exciting, listed growth companies in the UK.

Academic evidence looking at returns in the UK stock market shows that small companies have produced the strongest returns over the long term. Some reasons for this might be that companies further down the market-cap chain may be under-researched, so, for those willing to do the work, compelling investment opportunities can be found. Likewise, the law of large numbers should mean it is easier for smaller companies to grow at a faster rate than bigger ones.

WHAT WE LOOK FOR

The fund follows our proprietary 'Economic Advantage' (EA) process, which was conceived in 1998. The process seeks out "intangible" asset strength, which we define as companies possessing one or more of these attributes: intellectual property; distribution and recurring income. The idea being that these assets act as an effective barrier to competition in the market in which the company operates.

We then check this "intangible" asset strength is working financially for the company, checking they earn a return on capital comfortably above their cost of capital. In other words, are these assets translating into a business which is an economic value creator?

We also only want to invest in companies where we are aligned with the people running them, so we insist that management own at least 3% of the business themselves in direct equity. Although this hurdle may seem low, the average management equity ownership for the fund is 19.5%. With the average market cap in the fund being £100 million, this means £19.5 million on average is invested alongside us by the management teams, providing them with big incentives to both compound, but also preserve their capital. This often manifests in the avoidance of excessive levels of debt or undertaking big "transformational" (and often value-destructive) acquisitions.

The fund only invests (at point of first purchase) in companies with a market cap below £175 million and sells the position when a company reaches a market cap above £275 million. Therefore, as the name suggests, targeting the very smallest companies listed and headquartered in the UK. We also only invest in profitable companies.

The fund is a collection of "quality" businesses that are led by either entrepreneurs or multi-generational families, generating strong cash-flow returns on capital with demonstrable barriers to competition. Industrial, financial and software companies feature heavily throughout the portfolio. Some current stock examples would be: Tatton Asset Management, a disruptor in the discretionary fund management space; Eagle Eye, the software platform of which powers many supermarket loyalty schemes around the world, or James Cropper, which produces innovative materials which are used in the production of hydrogen fuel cells.

The famous quote from Warren Buffet - "be fearful when others are greedy and greedy when others are fearful" - comes to mind. Although we do not claim to make macroeconomic forecasts or predictions, focusing instead on a bottom-up approach of finding fantastic 'EA' stocks which we believe, in the long term, will produce strong returns, we do believe that the current uncertainties around inflation, interest rates and recessions have produced great opportunities for long-term investors if they are willing to be brave.

THE CHELSEA VIEW

The Liontrust UK Micro Cap fund stands out for its exceptional performance over the long term. The team utilise a proven investment process, that is used very successfully in other funds run by the same team. They look for capital-light businesses that can scale quickly with high recurring revenues and a strong brand. We believe that the fund, aided by its methodical process, is well set up for more success.

NB This fund carries a large bid-offer spread, currently around 4%, at the time of going to print.

Chelsea Risk Rating: 8
AMC: 1.25%
OCF: 1.34%
Yield: 0.64%

MARK SLATER
Fund manager,
Slater Growth
Elite Rated by FundCalibre

Open the financial pages of any newspaper at random and you will find an article about how the UK stock market has lagged the US stock market in recent years, owing to its lack of large technology stocks. The underperformance has been dramatic in the past five years. The UK market has other structural problems too - regulators have driven British pension funds out of UK equities, damaging liquidity in the process.

Investors are seeking other, sexier, more fashionable (and more expensive) homes for their money, selling down their UK investments. But, as with all clouds, there is a silver lining. The UK stock market is the cheapest developed market and it contains many dynamic businesses operating in a host of industries. The combination of exceptionally low valuations and an extreme in negative sentiment makes it likely that we are at an inflection point. This is especially the case with small and mid-cap companies which have borne the brunt of the sell-off.

WHERE WE HUNT

Slater Growth specialises in investing in fast-growing businesses. Although we do occasionally find larger companies that meet our criteria, the bulk of the portfolio is normally made up of small and mid-cap companies. The fund only buys shares in companies initially with a track record of profitability, strong cash flows and a low valuation in relation to their earnings growth rate. We hold businesses for long periods, often for 10 years, with a view to benefiting from the magical effect of compounding.

Valuations are far lower than usual right now. In fact, I have not seen such low valuations since the 2008-09 financial crisis. Compared with other markets, the divergence is extreme. BP and Shell trade at 50% discounts to US peers (selling the same product) and among small and mid-caps the gap is often greater. Single-digit price earnings (PE) ratios proliferate in the UK. In some cases you can buy good businesses and get your money back within five years or so. This is not normal - it is a reflection of the exceptionally negative mood around UK companies. It has little to do with their prospects. No wonder private equity funds are circling again - Slater Investments recently received takeover bids for two portfolio companies, offering 30-40% more than the prevailing share price.

Slater Growth has performed very strongly over the long term but has suffered as mid and small-cap shares de-rated over the past two years.

It is now fashionable to dislike any UK asset. Of course, the world faces many challenges but UK equities are pricing in far more bad news than most other markets. We have added to certain holdings during this bearish phase and now believe that it is the time to start being braver and more aggressive.

GROWTH PROSPECTS

Although the UK stock market does lack large technology companies, there is no shortage of decent growth businesses. Companies like: veterinarian CVS Group; digital transformation business Next 15; "green" fund manager Foresight; compliance expert Marlowe and outsourcer Serco, operate in a range of niches with excellent growth prospects. According to research published by Schroders, in the 10 years to 31 December 2021, the probability of investing in a "ten bagger" (where you make ten times your money) was materially greater in the UK than in the US.

When everything is going swimmingly, investors cannot imagine what could possibly go wrong. When times are hard, they equally cannot imagine things improving. Now is such a time. That is why UK equities, especially small and mid-cap growth companies, present the best opportunity for a very long time.

THE CHELSEA VIEW

Mark has a solid long-term track record as a top UK fund manager who looks for companies with strong balance sheets and healthy cash flows. The fund leans toward mid and small-cap stocks so recent underperformance has been understandable.

Chelsea Risk Rating: 7
AMC: 0.75%
OCF: 0.81%
Yield: 0.69%

A CHANGING WORLD

AI

Change continues apace and here are three funds that invest in companies at the forefront of some interesting changes. AI makes regular appearances in the headlines, biotechnology was thrust into the limelight during the pandemic and the sustainability of our food and water is increasingly a topic of conversation. The managers talk us through their own exciting areas of investment.

THE AI REVOLUTION

The Sanlam Global Artificial Intelligence (AI) fund invests in companies that are developing or integrating AI to their benefit. You may immediately think that this means we invest a lot in the tech sector, however, since the fund was launched, only around 40% has been invested in technology and related areas. This is because we are truly agnostic about which industries and sectors we invest in or where, geographically, those companies are based. If a company is engaging with AI in a meaningful way to help increase its long-term value, then we will consider it.

Our aim is to find the best 35-40 global opportunities in companies developing, using or deploying AI. We believe that companies engaging with AI now will have significant advantages over those that don't. Often companies can use AI to reinforce what are already strong competitive positions. In that sense, AI is quite unfair because the companies that are willing and able to engage with it can open up almost unassailable leads over their competitors.

AI, of course, is not a new phenomenon and you may have unwittingly experienced some of its benefits in the past five years when engaging in a 'live chat' with a business online - it was most likely an automated chatbot using 'generative AI'. Well, this year a new iteration of that technology (ChatGPT-3) stunned the world with its ability to create believable human-like dialogue and fired the starting gun for mass business adoption of AI development.

THE POSSIBILITIES ARE ENDLESS

AI and its potential benefits now has global recognition, and crucially, unlike in previous years, the computing power to realise its potential is starting to catch up. The technology still has a long way to go, but the practical uses are virtually limitless. We believe we're now at a turning point with AI and now is the perfect time to consider investing.

In our opinion, its longer-term socioeconomic impact could be comparable to that of the railways, the internal combustion engine, the telephone or the internet. There will be winners and losers from this transformation, with the winners enjoying faster economic growth than their competitors. It's impossible to know precisely which businesses these will be, and it is for this reason that we take such a broad view on which industry and region could yield the best performance in the fund.

PORTFOLIO HOLDINGS

Our fund invests across a wide range of industries and sectors – slightly over 40% of the fund is invested in IT or related areas, 17% is invested in communication services, just under 12% is in industrials, just under 11% is in consumer discretionary and 10% is in healthcare. The remainder is invested in financials. Our largest holdings include Nvidia (6.4% of the fund), Alphabet (better known as Google, 5.7%) and Microsoft (5.6%). In a world of ageing populations and pressured healthcare budgets, we would argue that good datasets and intelligent use of AI are essential. UnitedHealth Group's (3.02% current weighting in the portfolio) tech-focused subsidiary, Optum, has a platform that uses data analytics, natural language processing, machine and deep learning models to improve patient outcomes by predicting conditions and thereby decreasing the overall cost of care over a lifetime (prevention or early detection of disease is always better than cure). UNH also utilise what is known as Agent Virtual Assistant (AVA). The service includes a chatbot that helps to direct calls more quickly and a full-scale service that helps doctors, patients, carers and family members get more information quicker.

The bottom line is that AI has very much arrived, is already very useful to consumers and businesses, and its computational power is, on average, doubling every six to ten months. For those reasons alone, we think its long-term impact will be significant and is worth considering as part of a well-balanced portfolio.

CHRIS FORD
Fund manager,
Sanlam Global Artificial Intelligence
Elite Rated by FundCalibre

THE CHELSEA VIEW

Chris Ford's expertise has helped steer this fund to stellar performance since the fund's inception. This year's performance has been particularly strong with the boom in interest in AI in the spring. We would expect this rich vein of returns to continue over the long term as his companies benefit from the growth in AI technologies.

Chelsea Risk Rating: 8
AMC: 0.38%
OCF: 0.50%
Yield: –

FOOD & WATER

MARK LACEY
Fund manager,
Schroders Global Sustainable Food and Water

FELIX ODEY
Fund manager,
Schroders Global Sustainable Food and Water

The Sustainable Food and Water fund aims to provide investors with focused thematic exposure to the best-performing companies involved in sustainable food and water as the world transitions to make the system more sustainable, whilst improving food security. The fund will invest in a) the pure-play companies offering solutions to making the system more sustainable as well as b) the incumbents that are most effectively transitioning their business model to become more sustainable. The fund will invest across key value chains, including water management, agricultural equipment, agricultural inputs, food production and processing, packaging, distribution, food and water retail, and recycling.

WHY INVEST

The current food and water system is unsustainable and needs to be transformed. By 2050 the world will need to produce 70% more food and drinking water, whilst producing less carbon and using 70% fewer resources. It is estimated that this change will require around $30trillion of capital reallocation by 2050, creating significant opportunities for investors.

Valuations across the food and water space remain depressed compared with the wider market, and the opportunity for more defensive positioning means the space is well suited to current macroeconomic challenges. At the same time, the growth opportunity remains underappreciated, as cyclical and structural drivers build.

SUMMARY OF THE PAST YEAR

Broad equity market volatility increased significantly in 2022, as well as broad equity weakness, as a result of higher interest rates and slowing economic growth. Despite this challenging macro backdrop, the Schroders Global Sustainable Food and Water fund proved to be resilient relative to its benchmark, the MSCI ACWI, helped by strong pricing across most end markets, which contributed to resilient margins even as costs went up significantly. Additionally, end consumer demand was more resilient to these higher prices, which boosted company revenues.

STOCK OPPORTUNITIES

We have taken the recent price corrections as a chance to look for high returns companies, where we think volume and price declines have bottomed. This includes certain food technology companies exposed to more structural growth drivers of demand, as well as food distribution, agricultural equipment, and pulp-packaging companies.

Carrefour is a leading French global retailer targeting a 20k tonne reduction in their packaging usage by 2025 vs current levels, as well as a 30% decrease in food waste and GHG emissions by 2030. They have been working with agricultural partners and all food chain stakeholders to achieve higher standards in terms of quality, traceability and environmental protection.

Kubota manufactures yield-enhancing agricultural equipment, allowing for more food to be produced using less land, which in turn contributes to the avoidance of biodiversity destruction. Danone's water, yoghurt, infant nutrition, medical nutrition and plant-based beverage products all have significant potential to help consumers improve their health through their diet. Danone has made massive strides to mitigate its impact on the environment, with leading programs in the areas of water stress, raw material sourcing, carbon footprint, and the use of 100% RSPO (Roundtable on Sustainable Palm Oil - a non-profit organisation working to transform the palm oil industry to make it sustainable) palm oil.

OUTLOOK FOR THE SECTOR

The first half of this year has been characterised by stronger consumer spending than anticipated, and lower raw material costs versus last year. We believe that consumer strength may waver in the face of higher prices and slowing wage inflation, and that, as a result, agricultural and energy commodities will need to rise in price towards the end of this year and into 2024. The fall in inventory levels that is being seen across different sub-sectors will likely continue into the third quarter. However, ultimately, stock levels will need to be rebuilt and set up for a potentially strong year of demand in 2024.

THE CHELSEA VIEW

Mark Lacey, Alex Monk and Felix Odey are all portfolio managers on this brand-new thematic fund. With there clearly needing to be major structural shifts and investment to solve the global water and food crisis, this fund presents an attractive proposition.

Chelsea Risk Rating: 8
AMC: 0.95%
OCF: 0.95%
Yield: –

DAVID PINNIGER

Portfolio manager,
Polar Capital Biotechnology
Elite Rated by FundCalibre

Launched in 2013, the Polar Capital Biotechnology strategy is designed to provide investors with high impact exposure to the ongoing revolution in medicine, driven by the rapid advances in our understanding of what causes human diseases and the recent proliferation of powerful drug discovery and development technologies. New medicines are ever more clinically impactful and commercially successful. Higher precision medicine is the goal – matching the right treatment to the right patient at the right time – aiming to improve the success and reduce the cost of medical intervention, ultimately making the fundamentally expensive task of healthcare delivery more effective and more sustainable. Simply, the strategy aims to invest behind the best people, using the best technologies, to develop the best new medicines.

A GOOD TIME TO INVEST?

The power of the global biotechnology industry to meet head-on the public health challenge of our time was shown with the rapid development of vaccines and therapeutics during the pandemic. Another, more recent, example is research demonstrating medicines originally developed to treat patients with diabetes which might also provide an approach to treating obesity. Rapid progress is also being made across multiple areas of medicine, from cancer to neuroscience to rare genetic diseases. There is high productivity in the industry from R&D investment, though we still need to encourage investor appetite to provide financial capital to the relatively young and risky enterprises that comprise much of the biomedical ecosystem that has been impaired by the powerful, large-scale macroeconomic forces of inflation and increasing interest rates.

WHY SHOULD BIOTECH FORM PART OF AN INVESTOR'S PORTFOLIO?

We have seen a decade-long golden age of medical innovation, enhanced R&D productivity and commercial opportunity powered by genetic research and genomics-based technologies. Biotechnology is an impact industry – financial investment backs the best scientists to develop revolutionary products and technologies offering potential step-change improvements in medicines to treat challenging and often life-threatening illnesses of all kinds. The sector's attraction is its fundamental disconnect with the waxing and the waning of economic cycles and the hard-to-predict shifts in consumer trends and technological disruption that investors in other sectors/themes face. With biotechnology, scientific progress is relentless; knowledge, understanding and insight continue to improve; new, better medicines are approved relentlessly, each one the basic building block of sustainable value creation for investors providing the financial capital to make it all happen.

PORTFOLIO POSITIONING

On the back of hugely positive investor sentiment towards the biotechnology industry in the wake of the success of the first coronavirus vaccines, based on a new technology, we felt it prudent to move away from investment in new early-stage companies with unproven technologies, teams and a long development path ahead as expectations were just too high. Therefore, for the past couple of years, the strategy has been positioned fairly cautiously, preferring more commercial-stage companies – those that have already successfully developed and are commercialising one or more new medicines. However, sentiment towards the sector has more recently fallen, as have valuations and expectations, making earlier-stage companies much more interesting again, particularly those that are well financed, with world-class teams providing high quality clinical research and strong scientific insights. Examples of such portfolio holdings are arGEN-X, Vertex Pharmaceuticals, Genmab and, in the UK, Bicycle Therapeutics and C4XD.

OUTLOOK FOR THE SECTOR

With the pullback in investor appetite for biotechnology in recent years, we think it is a very good time for long-term investors to be contemplating a fresh investment in companies quietly developing new medicines to profoundly change the way a whole range of human diseases are treated. Investors must, in our view, approach investing in biomedical research and development from an actively risk-managed portfolio perspective. Our view is that, given the fundamental strength and transformative potential of a lot of the R&D investment in the pharmaceutical and biotechnology industry right now, while most of the market is looking elsewhere, investors could do a lot worse than taking a fresh look at this wonderful positive-impact industry – and you never know, a medicine developed by one of these companies could one day save your life.

THE CHELSEA VIEW

The biotech sector demands specialised management for success. David, alongside Polar's healthcare team, is well-suited for this task. They leverage their collective experience to thoroughly analyse the sector, uncovering opportunities among smaller companies that often go unnoticed by others and passive investors. This approach results in a strong, well-researched portfolio offering excellent risk-adjusted returns.

Chelsea Risk Rating:	10
AMC:	1.00%
OCF:	1.12%
Yield:	–

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:

VENTURE CAPITAL TRUSTS (VCTs)

AN OVERVIEW

PETER HICKS
Research analyst
Chelsea

VCTs are proving their mettle in these challenging conditions. Despite reductions in value, many underlying portfolio businesses are showing resilience. Moreover, their patient capital has a long-term presence, irrespective of short or mid-term market sentiment, which is very important when economic conditions are tightening, as it provides important support for UK smaller businesses. It also means more opportunities to invest at lower valuations, and managers can build portfolio positions at more competitive prices.

Tax rates and allowances in the UK are also tightening, with the UK tax burden at its highest for 70 years* and more people falling into the 40% higher rate tax bracket. For those comfortable with the risks, VCTs can potentially help relieve some of this pain. New share offers provide income tax relief of 30p for every £1 invested, subject to an annual £200,000 investment allowance.

Investors can also benefit from tax-free capital gains and dividends. Shares from a new offer must be held for 5 years, lest tax relief be clawed back, and most VCTs now offer buyback policies, typically at a 5% discount to net asset value (subject to liquidity). At the five-year point, an investor can sell their shares and recycle them into other new VCT offers, accruing more tax relief.

It's important to note that current stipulations mean the same VCT cannot be bought within six months of selling it, moreover, an investor should consider what a VCT portfolio is doing before selling at the five-year point. A profitable exit and tax-free special dividend may be around the corner. It is not uncommon for there to be a significant uplift on an exit valuation, and selling prior to this may mean losing out on additional value.

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	30% INCOME TAX RELIEF	70% EFFECTIVE INVESTMENT COST
£10,000	£3,000	£7,000

NAME OF VCT	TYPE OF VCT	MINIMUM INVESTMENT	INITIAL CHARGE	CHELSEA DISCOUNT		UPFRONT CASHBACK!	CLOSING DATE ^
British Smaller Companies VCTs	Generalist	£6,000	5.00%	**2% + 0.25%** on the first £20 million raised	+	**0.50%**	On or before 5 April 2024
Hargreave Hale AIM VCT	AIM	£5,000	3.50%	**2%**	+	**0.375%**	5.00 p.m. on 22 March 2024
Pembroke VCT	Generalist	£5,000	5.00%	**2.5% or 3% for** existing investors	+	**0.40%**	12 noon on 5 April 2024

*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:

HARGREAVE HALE AIM VCT

Recent conditions for AIM VCT investors have been tough, but, despite this, Hargreave Hale AIM VCT represents a credible opportunity this season. With this AIM VCT, there is a good chance of investing at a historically cheap NAV. Moreover, should primary AIM issuance pick up, the manager should have good opportunities to build portfolio positions at competitive valuations.

The manager targets a 5% of NAV dividend, and the VCT has maintained a good dividend track record, paying out 30.2p over the past 5 years. The VCT operates a 5% discount to NAV buyback policy (subject to liquidity) with weekly dealing. The VCT has scaled significantly over the past 10 years versus main competitors and this has diluted performance. However, the VCT has now scaled sufficiently, mirroring the size of its competitors, and is currently not looking to become much bigger.

PEMBROKE VCT

This VCT is coming into maturity and holds a number of promising portfolio businesses that are growing successfully. To date there are 44 portfolio holdings; 11 of these businesses have now grown to have an enterprise value above £50 million, with five of these 11 valued over £100 million. To be clear, this is the company's whole valuation, not the value of Pembroke's stake in the company.

One example is Lyma, a skincare technology business. Pembroke owns a 20% stake in this business, with an investment cost of £2.1m, now valued at £27.7m. The VCT has also had a string of successful exits, including ME+EM, a direct-to-consumer fashion brand, which was sold last year for a 16x return. The manager targets a 5p dividend and operates a 5% discount to NAV buyback policy, reviewed half-yearly.

BRITISH SMALLER COMPANIES

The British Smaller Companies portfolio has shown remarkable resilience over the past few years due to promising underlying growth rates. Both VCTs have shown long-term consistency with their valuations, with a strong exit and dividend payment track record. The manager, David Hall, is one of the most experienced in the VCT industry and has been running British Smaller Companies for twenty years. The manager is planning two allotments (when client's are issued with their new VCT shares) this season, in January and April, and any cash waiting to be allotted will be placed in an interest account, with any accrued interest funding extra shares in the VCT. Both VCTs do not have a specific dividend target, but have managed an average yield of 9% over the past five years.

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.

***Source:** *https://www.thetimes.co.uk/article/rising-taxes-to-cost-households-extra-4-200-by-next-election-ts2rvfd90*

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 their income, 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.

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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