



Charity Value and Income Fund

Interim Long Report

for the six months ended 30 June 2017

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Charity Value and Income Fund Report of the Manager

Smith & Williamson Fund Administration Limited as Manager presents herewith the Interim Long Report ("the Report") for Charity Value and Income Fund for the six months ended 30 June 2017.

Charity Value and Income Fund ("the Scheme" or "the Fund") is a Common Investment Fund established by a Scheme of the Charity Commission for England and Wales ("the Commission") dated 11 April 2007, made pursuant to the powers given to it by the Charities Act 1993, section 24. The registered charity number is 1119289. The Scheme is not an authorised unit trust within the meaning of the Financial Services and Markets Act 2000 ("FSMA"). The Scheme is operated by Smith & Williamson Fund Administration Limited as an unregulated collective investment scheme in accordance with the Financial Conduct Authority ("the FCA") rules, the Collective Investment Schemes sourcebook ("COLL") and the Investment Funds sourcebook ("FUND"), as issued and amended by the FCA. As the Fund is a non-Undertakings for Collective Investments in Transferable Securities ("non-UCITS") retail scheme, the Manager also acts as Alternative Investment Fund Manager ("AIFM") in order to comply with the Alternative Investment Fund Manager's Directive ("AIFMD").

The Manager is of the opinion that it is appropriate to continue to adopt the going concern basis in the preparation of the accounts as the assets of the Scheme consist predominantly of securities which are readily realisable and, accordingly, the Scheme has adequate financial resources to continue in operational existence for the foreseeable future. Further, appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of these accounts and applicable accounting standards have been followed.

The base currency of the Scheme is UK sterling.

The Scheme Particulars can be inspected at the offices of the Manager.

A copy of the Scheme Particulars are available free of charge from the Manager.

Investment objective

The objective of the Scheme is to achieve long-term capital and income growth through investment primarily in UK equities with an above-average yield. The Scheme may also from time to time invest in other securities, including UK government securities, other fixed interest securities, convertible securities and cash.

Investment policy

The investments for the Scheme will be made principally in UK companies listed on the London Stock Exchange, typically within the FTSE All Share Index or quoted on the Alternative Investment Market. As such, both income received from those investments and their capital valuation will be subject to fluctuation. However, the Investment Manager will endeavour to manage the portfolio in a way that leads to an increasing income year on year, and to invest in a portfolio whose volatility is not significantly different to that of the FTSE All Share Index. The Investment Manager's portfolios historically have tended to have volatility similar to that of the FTSE All Share Index.

Benchmark and performance target

The performance target will be to out perform the FTSE All Share Index on a total return basis. The Scheme will be benchmarked against the FTSE All Share Index.

Changes affecting the Scheme in the period

There were no fundamental or significant changes to the Scheme in the period.

Further information in relation to the Scheme is illustrated on page 14.

In accordance with the requirements of The Charities (Accounts and Reports) Regulations 2008 and the Scheme Particulars, we hereby approve the Report on behalf of Smith & Williamson Fund Administration Limited.

J. Gordon

B. McLean

Director

Smith & Williamson Fund Administration Limited
30 August 2017

Accounting policies of Charity Value and Income Fund (unaudited)

for the six months ended 30 June 2017

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments. They have been prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and in accordance with the Statement of Recommended Practice for UK Authorised Funds ("the SORP") issued by The Investment Association in May 2014 as applicable to Charity Common Investment Funds and The Charities (Accounts and Reports) Regulations 2008.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016 and are described in those annual financial statements.

As described in the Manager's report, the Manager continues to adopt the going concern basis in the preparation of the accounts.

Investment Adviser's report

The market

Over the six month period as a whole the FTSE All Share Index rose by 3.3%. Including income the total return was +5.5%. Most of the rise occurred in the first quarter of 2017; in the second quarter our market rose very marginally and showed remarkable stability amid the political turmoil of the UK General Election and the incidence of several terrorist atrocities in Manchester and London. The FTSE 250 Index of mid-cap companies recovered partially from the underperformance of the second half of 2016 with a rise of 7.0% but the FTSE Higher Yield Index showed significant underperformance with a rise of just 0.4%. World equity markets rose by 10.0% measured in dollars, but the pound strengthened by 5.6% against the dollar, closing the half-year at \$1.30. Translated into sterling, world equities rose by 4.1%.

The background to these movements in equities was a steady improvement in expectations for economic growth, both here in the UK and in forecasts for global Gross Domestic Product ("GDP") growth. The World Bank upgraded its UK forecast for 2017 to +1.7% and consensus forecasts for global growth showed a higher rate of growth in GDP for 2017 compared to 2016. The eurozone at last showed evidence of growth, which is now expected to be 1.5% for 2017. In bond markets, UK ten year dated gilt yields ended the half year very close to end December's level of 1.24%, but had fallen to 1.08% at end March, before rising again in June following some mixed messages about possible rises from the Bank of England. US ten year treasury yields fell slightly to 2.30%, despite a further raise of 0.25% to 1.25% in the Federal Reserve Funds rate. In Germany ten year yields rose a little from 0.20% to 0.46%. The euro continued to rise against the pound and ended the period at €1.14 against the pound. The oil price drifted downwards and at the end of June was \$48, a fall of nearly 16% compared to its level at the end of 2016.

Performance

Over the half year as a whole the total return (including income) on the accumulation units was +8.9%, which compares with a total return on the FTSE All Share Index of +5.5%. In sector contributions to relative performance our overweight holdings of electronics, non-life insurance and personal goods were beneficial, though our overweighting in fixed line telecommunications and utilities had a negative effect. In stock selection, some of our consumer facing companies rose strongly with Conviviality +43% in the food retail sector and N Brown Group +39% in the non-food retail sector. In the pharmaceutical sector Dechra Pharmaceuticals continued to outperform strongly with a rise of 26%. Against these positive holdings, we saw underperformance from Go-Ahead Group (-22%) after warning that the disputes at Southern Rail might cost £15m in reduced profits in the current year. In support services Carillion fell by 21%. Since 30 June the holding has been sold.

Source: Smith & Williamson Fund Administration Limited; Bid to Bid Basis to 12pm on 30 June 2017; net income reinvested and Financial Times.

Portfolio

We made few changes in the portfolio during the half-year. Sales totalled £361,101 as we trimmed four of our existing holdings. We bought one new company in February, British Land in the property sector, which manages a high quality portfolio split evenly between retail and office properties. The share price was hit hard in the aftermath of the European Union ("EU") referendum and was trading on a 30% discount to historic net asset value and a yield of 5%.

Distribution

The two quarterly distributions for the first half of 2017 were 1.1p (quarter 1) and 1.1p (quarter 2) per income unit. The total of 2.2p compares with 2.0p paid in the first half of 2016.

Investment Adviser's report (continued)

Outlook

Politically and economically we have much uncertainty to concern investors. Mrs May has lost her parliamentary majority but at the time of writing intends to remain as Prime Minister of a Conservative government with the help of the Democratic Union Party of Northern Ireland. Brexit negotiations have begun and there is much division amongst politicians of both the main parties as to how much of a break from the EU we should be targeting. Some business leaders are still warning of dire consequences of a 'hard Brexit'. Inflation has now risen to almost 3%, as measured by the Consumer Price Index and real wages are falling, though the pressures on rising inflation from currency weakness should soon be easing. Consumers are therefore under pressure to reduce spending, though with interest rates still at rock bottom levels, the cost of borrowing is very low. As a result the Bank of England is warning about unsustainable levels of borrowing, both by the Government and by consumers. The shadow of a Corbyn administration, with its irresponsible financial policies, looms increasingly over our society and our economy.

Amidst these worries the stability of our equity market may seem strange but we have to observe that the valuation of equities on a yield of 3.6% at end June looks very attractive compared to cash and gilt yield alternative asset categories. Measured by the xd adjustment to the FTSE All Share Index, dividends rose by almost 16% in the first half of 2017 compared with the same period in 2016.

Unemployment statistics show those without jobs are down to 4.6% of the workforce, the lowest level since 1975. Our equity market is substantially exposed to overseas economies where growth is higher this year than last. We do believe that our portfolio will continue to offer an income which is sustainable in real terms and that our equity market is not overvalued despite the slightly higher than average long term price earnings ratio.

OLIM Limited
14 July 2017

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Portfolio changes

for the six months ended 30 June 2017

	Cost		Proceeds
Purchases	£	Sales	£
British Land	442,963	Go-Ahead Group	113,318
		BHP Billiton	108,440
		Spectris	74,317
		Royal Dutch Shell 'B'	65,026

The above represents the total purchases and the total sales in the period to reflect a clearer picture of the investment activities.

Portfolio statement

as at 30 June 2017

	Nominal value or holding	Market value £	% of total net assets
Investment			
Equities - United Kingdom 97.49% (97.17%)			
Equities - incorporated within the United Kingdom 94.46% (93.99%)			
Oil & Gas 7.80% (9.71%)			
Amec Foster Wheeler	39,000	182,130	0.78
BP	201,800	893,570	3.81
Royal Dutch Shell 'B'	36,562	754,091	3.21
		<u>1,829,791</u>	<u>7.80</u>
Chemicals 4.08% (3.99%)			
Croda International	16,220	629,985	2.68
Johnson Matthey	11,427	328,069	1.40
		<u>958,054</u>	<u>4.08</u>
Basic Resources 2.35% (3.04%)			
BHP Billiton	18,000	211,590	0.90
Rio Tinto	10,500	340,410	1.45
		<u>552,000</u>	<u>2.35</u>
Industrial Goods & Services 14.10% (14.13%)			
Babcock International Group	38,000	334,400	1.42
Carillion	203,000	378,798	1.61
Halma	82,800	909,972	3.88
Midwich Group	155,000	505,300	2.15
Spectris	32,900	830,067	3.54
Sthree	115,000	351,900	1.50
		<u>3,310,437</u>	<u>14.10</u>
Food & Beverage 2.25% (1.96%)			
Britvic	76,500	528,998	2.25
Personal & Household Goods 8.31% (7.19%)			
Crest Nicholson Holdings	113,000	590,990	2.52
Unilever	32,700	1,358,685	5.79
		<u>1,949,675</u>	<u>8.31</u>
Health Care 9.00% (8.37%)			
Dechra Pharmaceuticals	60,500	1,026,685	4.37
GlaxoSmithKline	66,500	1,086,943	4.63
		<u>2,113,628</u>	<u>9.00</u>
Retail 6.42% (4.83%)			
Conviviality	360,000	1,104,300	4.70
N Brown Group	130,000	403,000	1.72
		<u>1,507,300</u>	<u>6.42</u>

Portfolio statement (continued)

as at 30 June 2017

	Nominal value or holding	Market value £	% of total net assets
Investment			
Equities - United Kingdom (continued)			
Equities - incorporated within the United Kingdom (continued)			
Media 3.90% (4.34%)			
Daily Mail & General Trust	30,000	200,100	0.85
Informa	107,000	715,295	3.05
		<u>915,395</u>	<u>3.90</u>
Travel & Leisure 8.56% (9.85%)			
Cineworld Group	100,000	701,500	2.99
Go-Ahead Group	26,700	469,653	2.00
Marston's	460,000	560,740	2.39
Restaurant Group	85,000	278,375	1.18
		<u>2,010,268</u>	<u>8.56</u>
Telecommunications 6.66% (7.37%)			
BT Group	198,000	583,209	2.48
Vodafone Group	450,340	980,390	4.18
		<u>1,563,599</u>	<u>6.66</u>
Utilities 5.16% (5.85%)			
Centrica	185,000	370,370	1.58
Pennon Group	48,600	400,950	1.71
United Utilities Group	50,700	439,823	1.87
		<u>1,211,143</u>	<u>5.16</u>
Banks 3.49% (3.42%)			
HSBC Holdings	115,000	818,455	3.49
Insurance 10.51% (9.94%)			
Beazley	175,000	853,475	3.63
Legal & General Group	306,000	789,480	3.36
Prudential	47,000	827,435	3.52
		<u>2,470,390</u>	<u>10.51</u>
Real Estate 1.87% (0.00%)			
British Land	72,500	438,625	1.87
Total equities - incorporated within the United Kingdom		<u>22,177,758</u>	<u>94.46</u>

Portfolio statement (continued)

as at 30 June 2017

	Nominal value or holding	Market value £	% of total net assets
Investment			
Equities - United Kingdom (continued)			
Equities - incorporated outwith the United Kingdom 3.03% (3.18%)			
Insurance 0.31% (0.39%)			
Hansard Global	85,000	<u>73,100</u>	<u>0.31</u>
Financial Services 2.72% (2.79%)			
John Laing Infrastructure Fund	476,700	<u>639,731</u>	<u>2.72</u>
Total equities - incorporated outwith the United Kingdom		<u>712,831</u>	<u>3.03</u>
Total equities - United Kingdom		<u>22,890,589</u>	<u>97.49</u>
Portfolio of investments		22,890,589	97.49
Other net assets		590,070	2.51
Total net assets		<u>23,480,659</u>	<u>100.00</u>

All investments are listed on recognised stock exchanges and are approved securities within the meaning of the FCA rules unless otherwise stated.

The comparative figures in brackets are as at 31 December 2016.

United Kingdom equities are grouped in accordance with the Industry Classification Benchmark.

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Total purchases in the period:	£442,963
Total sales in the period:	£361,101

Performance information

Number of units in issue	30.06.17	31.12.16	31.12.15	31.12.14
Gross income	18,937,790	18,914,404	18,760,499	15,572,636
Gross accumulation	2,345,793	2,345,793	2,345,793	2,353,055
Net Asset Value (NAV)	£	£	£	£
Total NAV of the Fund	23,480,659	22,070,870	21,087,393	17,356,084
NAV attributable to gross income unitholders	19,582,344	18,468,610	17,755,308	14,259,750
NAV attributable to gross accumulation unitholders	3,898,315	3,602,260	3,332,085	3,096,334
Net asset value per unit (based on bid value) ^	p	p	p	p
Gross income	103.4	97.64	94.64	91.57
Gross accumulation	166.2	153.6	142.0	131.6

^ The net asset value per unit excludes the value of the income distributions payable.

Gross income units were first issued at 100.0p per unit on 6 June 2007.

Gross accumulation units were first issued at 100.0p per unit on 6 June 2007.

Highest and lowest prices and distributions

Financial year to 31 December		Distribution per unit p	Highest price p	Lowest price p
2014	Gross income	4.000	98.67	84.25
2014	Gross accumulation	5.591	136.4	119.7
2015	Gross income	4.000	100.9	89.51
2015	Gross accumulation	5.841	146.5	128.6
2016	Gross income	4.400	100.8	85.19
2016	Gross accumulation	6.721	156.3	127.9
Financial period to 30 June 2017	Gross income	2.200	109.3	97.72
Financial period to 30 June 2017	Gross accumulation	3.477	173.8	153.7

Summary of the distributions in the current period and prior year

Gross income			
Payment date	p	Payment date	p
31.05.17	1.100	31.05.16	1.000
31.08.17	1.100	31.08.16	1.000
		30.11.16	1.000
		28.02.17	1.400
Gross accumulation			
Allocation date	p	Allocation date	p
31.05.17	1.729	31.05.16	1.500
31.08.17	1.748	31.08.16	1.517
		30.11.16	1.534
		28.02.17	2.170

Investments carry risk. Past performance is not a guide to future performance. Investors may not get back the amount invested.

Total expense ratio

The total expense ratio provides investors with a clearer picture of the total annual costs in running a collective investment scheme. The total expense ratio consists principally of the Manager's periodic charge and the Investment Adviser's fee which are included in the annual management charge, but also includes the costs for other services paid.

	30.06.17 [^]	31.12.16
Annual management charge ^{^^}	0.60%	0.60%
Other expenses	0.08%	0.08%
Total expense ratio	<u>0.68%</u>	<u>0.68%</u>

[^] Annualised based on the expenses incurred during the period 1 January 2017 to 30 June 2017.

^{^^} inclusive of VAT.

Please note the total expense ratio is indicative of the charges which the Fund may incur in a year as it is calculated on historical data.

Financial statements - Charity Value and Income Fund (unaudited)

Statement of total return (unaudited)

for the six months ended 30 June 2017

	1 January 2017 to 30 June 2017		1 January 2016 to 30 June 2016	
	£	£	£	£
Income:				
Net capital gains / (losses)		1,361,690		(551,079)
Revenue	516,549		524,280	
Expenses	<u>(77,076)</u>		<u>(71,985)</u>	
Net revenue		<u>439,473</u>		<u>452,295</u>
Total return before distributions		1,801,163		(98,784)
Distributions		(497,350)		(435,900)
Change in net assets attributable to unitholders from investment activities		<u><u>1,303,813</u></u>		<u><u>(534,684)</u></u>

Statement of change in net assets attributable to unitholders (unaudited)

for the six months ended 30 June 2017

	1 January 2017 to 30 June 2017		1 January 2016 to 30 June 2016	
	£	£	£	£
Opening net assets attributable to unitholders		22,070,870 *		21,087,393
Amounts receivable on issue of units		24,413		773,183
Change in net assets attributable to unitholders from investment activities		1,303,813		(534,684)
Retained distributions on accumulation units		81,563		70,773
Closing net assets attributable to unitholders		<u><u>23,480,659</u></u>		<u><u>21,396,665 *</u></u>

*The opening net assets in the current period do not equal the closing net assets in the comparative period as they are not consecutive periods.

Balance sheet (unaudited)

as at 30 June 2017

	30 June 2017	31 December 2016
	£	£
Assets:		
Fixed assets:		
Investments	22,890,589	21,446,200
Current assets:		
Debtors	121,167	105,585
Cash and bank balances	686,701	790,790
Total assets	<u>23,698,457</u>	<u>22,342,575</u>
Liabilities:		
Creditors:		
Distribution payable	(208,316)	(264,802)
Other creditors	(9,482)	(6,903)
Total liabilities	<u>(217,798)</u>	<u>(271,705)</u>
Net assets attributable to unitholders	<u>23,480,659</u>	<u>22,070,870</u>

J. Gordon

Director

Smith & Williamson Fund Administration Limited

30 August 2017

Registered Charity number 1119289

B. McLean

Further information

Distributions and reporting dates

Where net revenue is available it will be distributed/allocated quarterly on 31 May (interim), 31 August (interim), 30 November (interim) and the last day in February (final). In the event of a distribution, unitholders will receive a tax voucher.

XD dates:	1 January	final
	1 April	quarter 1
	1 July	interim
	1 October	quarter 3

Reporting dates:	31 December	annual
	30 June	interim

Buying and selling units

The Fund will be valued as though it was an authorised unit trust subject to the terms of the Financial Conduct Authority Collective Investment Schemes sourcebook ("COLL"). The property of the Fund is valued every business day at 12 noon and prices of units are calculated as at that time. Units can be bought at the offer price and sold at the bid price. Unit dealing is on a forward basis i.e. investors can buy and sell units at the next valuation point following receipt of the order.

The minimum holding of units in the Fund at any time in terms of value is currently £1,000. The minimum value of units in the Fund which may be the subject of any one sale or purchase is £1,000.

Prices of units and the estimated yield of the unit classes are published on the following website: www.fundlistings.com or may be obtained by calling 0141 222 1151.

Management charges

The Manager is entitled to receive and retain for its own use and benefit an initial charge to be included in the issue price of units. Should the Manager make an initial charge, this will not exceed 5%.

The annual management charge of 0.5% per annum plus VAT at 20% is payable based on the net asset value of the Fund.

Taxation

As long as it is applied for charitable purposes, any income received by a unitholder from the Fund will not be subject to UK tax and a unitholder will be exempt from UK tax on chargeable gains on the disposal of its units. No tax will be deducted from income distributed by the Fund.

Appointments

Manager and Registered office

Smith & Williamson Fund Administration Limited

25 Moorgate

London EC2R 6AY

Telephone: 020 7131 4000

Authorised and regulated by the Financial Conduct Authority

Administrator and Registrar

Smith & Williamson Fund Administration Limited

206 St. Vincent Street

Glasgow G2 5SG

Telephone: 0141 222 1151 (Registration)

0141 222 1150 (Dealing)

Authorised and regulated by the Financial Conduct Authority

Directors of the Manager

David Cobb

Giles Murphy

Grant Hotson

James Gordon

Jocelyn Dalrymple

Kevin Stopps

Paul Wyse

Peter Maher

Susan Shaw

Tas Quayum

Brian McLean - appointed 17 February 2017

Investment Adviser

OLIM Limited

15 Berkeley Street

London W1J 8DY

Authorised and regulated by the Financial Conduct Authority

Trustee

National Westminster Bank Plc

Trustee and Depositary Services

Younger Building

1st Floor

3 Redheughs Avenue

Edinburgh EH12 9RH

National Westminster Bank plc is Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority

Auditor

Beavis Morgan Audit Limited

Chartered Accountants and Statutory Auditors

82 St John Street

London EC1M 4JN