

# QUILTER CHEVIOT GLOBAL INCOME & GROWTH FUND FOR CHARITIES

FACTSHEET - Q2 2020



**QUILTER CHEVIOT**  
INVESTMENT MANAGEMENT

## SERVICE DETAILS

Launch date	8 January 2020
Size of fund	£45,052,665
Benchmark	CPI +3.5%*
Fund type	CAIF
Base currency	GBP
Number of holdings	81
Anticipated yield	3%
OCF	0.73%**
MiFID II cost & charges	1.04%***
Ex-dividend dates	31 January, 30 April, 31 July, 31 October
Dividend pay dates	28 February, 31 May, 31 August, 30 November
Sedol number	BGKG3L1
Reporting	Quarterly

\*UK Consumer Price Index plus 3.5%

\*\* The Ongoing Charge Figure (OCF) includes the charges for the underlying open ended funds held in the Fund and the Fund's management fees. This is a point in time estimated calculation, so changes to holdings within the Fund may result in higher or lower ongoing charges.

\*\*\* The MiFID II cost and charges figure includes the charges for the underlying open and close ended funds held in the Fund, transaction costs, and all the Fund's management fees. This is a point in time estimated calculation, so changes to holdings within the Fund may result in higher or lower ongoing charges.

## INVESTMENT OBJECTIVES & POLICY

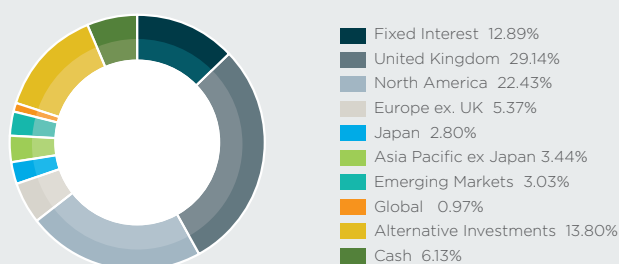
- Grow both the capital value and provide income over the long-term.
- Deliver an annualised total return of 3.5% above the UK Consumer Price Index over the medium term through exposure to a diversified range of asset classes.
- Aims to provide a minimum income yield of 3% per annum.
- The Fund invests in a mix of direct equities (UK, US and Europe primarily) and bonds, and uses third party funds to gain exposure to specialist areas such as property, infrastructure and also to equities in other geographic areas.

We do not invest in companies whose primary business is producing or manufacturing tobacco; and as a company we do not invest in businesses which make controversial weapons. Please visit [www.quiltercheviot.com](http://www.quiltercheviot.com) to see our controversial weapons policy.

## PERFORMANCE

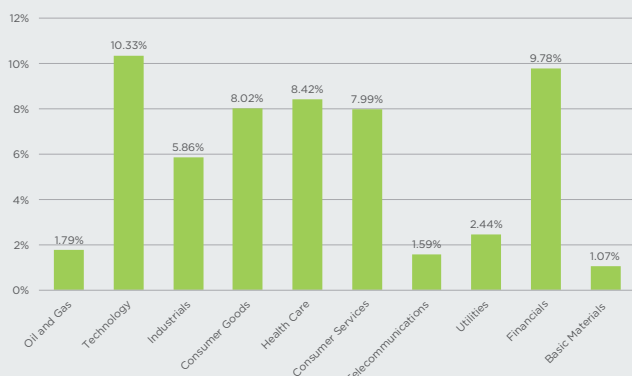
Performance will be shown once the Quilter Cheviot Global Income & Growth Fund has been running for a full year. The Fund's inception date is 8 January 2020.

## ASSET ALLOCATION



As at 30 June 2020

## PORTFOLIO POSITIONING\*



\* Shown as percentage of total fund value. As at 30 June 2020.

## TOP 20 HOLDINGS %

Royal London Unit Trust Managers Sterling Credit Instl Inc Z GBP NAV	3.77
Pimco Global Advisors Irl Ltd Global Inv Grade Cred Hgd Instl Inc Nav	2.92
Baillie Gifford & Co Japanese Income Growth W4 Dis	2.80
UK(Government Of) 4.5% Snr Bds 07/12/2042 GBP1000 'Regs'	2.21
UK(Government Of) 0.125% I/L Gilt Bds 22/11/2036 GBP1000	2.06
Apple Inc Com USD0.00001	2.03
Microsoft Corp Com USD0.00000625	1.92
Royal Dutch Shell 'B'ord EURO.07	1.79
Amazon Com Inc Com USD0.01	1.65
M&G Plc Ord GBP0.05	1.54
Blackrock Throgmorton Trust ord 5p	1.53
International Public Partner ord GBP0.0001	1.51
HICL Infrastructure Plc ord GBP0.0001	1.43
Reckitt Benckiser Group Plc ord GBP0.10	1.40
Unilever ord GBP0.031111	1.35
Wells Fargo (Lux) Worldwide Fund Emerging Markets Equity Income Y GBP Dis	1.35
Legal & General Group ord GBP0.025	1.35
Matthews Asia Fds SICAV Asian ex Japan Div S GBP Dis	1.33
Foresight Solar Fund Ltd	1.33
Smith(DS) ord GBP0.10	1.32

As at 30 June 2020

**IMPORTANT: The value of investments and the income from them can go down as well as up. You may not recover what you invest.**

## COMMENTARY

**The quarter saw a significant rebound in markets; the FTSE All Share rose by 10.2% but lagged the FTSE All World ex UK return of 20.5% by some margin. The Fund performed well with underweight positions in government bonds and UK equities paying off, however stock selection played a greater role across the portfolio. The overall Fund positioning remains underweight UK equities and overweight the overseas allocation versus the performance comparator. We expect this positioning will continue into the medium/long-term, given the prospects for the UK versus other markets as we perceive them.**

Over the quarter we introduced direct positions in Tencent, Alibaba, Samsung Electronics and TSMC. Within the industrial sector we reduced Halma in the UK as well as Kion in Europe and bought a position in Trane Technologies. We exited the holdings in HSBC and Persimmon in order to move out of now non-yielding stocks. We extended the duration of the government bonds. The risk of negative rates also means that we are concerned about letting duration slip too far below benchmark especially as the gilt index duration continues to increase. We reduced the index linked positions as inflation is not an immediate prospect at this time. We remain comfortable with corporate loans given central bank support and introduced a position in the Axa High Yield US Short Duration Bond Fund. Within alternatives we added to the infrastructure weighting with a holding in TRIG.

The rate of change after such a deep economic setback means the rebound appears "V"-shaped at this stage. Nevertheless, there has been a significant fall in economic output, not least because some retail sales have been permanently lost. Caution is warranted on the sustainability of the recovery. Many economies, including the UK, have benefited from furlough schemes; unemployment is likely to increase once these come to an end. Current estimates suggest that, after a 3.5% downturn this year, global GDP growth will be 5.5% in 2021 before settling to a normal 3% thereafter. Advanced economies will not recover as quickly and, after a 5% downturn this year, GDP growth is likely to be 4.8% in 2021. The US is expected to fare better than average, albeit with increased uncertainty on tax if the Democrats win the Presidential election. China provides some insight on the shape of rebound. From a low point in February, industrial

production and construction continue to recover much as expected while until recently consumer spending and corporate capital expenditure lagged.

Economic data is likely to remain volatile and there appears to be some confusion between the rate of change and absolute levels. Job hiring was a major upside surprise last month but only about one third of those lost jobs have been regained, with the unemployment rate standing at 11%. In Europe, Germany was least affected by the pandemic and is expected to be the first to return to normality while Italy and Spain only bottomed out in the second quarter.

UK GDP could fall nearly 10% this year reflecting the economy's dependence on services and consumer spending. Recovery can be expected as lockdown eases although job uncertainty will continue until furlough schemes are unwound. The likelihood of a no, or a very limited, Brexit deal means additional uncertainty in 2021. Falling demand is usually disinflationary so the Bank of England, like other central banks, will want to maintain ultra-accommodative monetary policies. This suggests that very low interest rates and a flat yield curve will continue for some time.

Aside from the clear winners in the digital/technology space, many companies will be relieved to survive relatively intact. While balance sheets are stronger than at the time of the global financial crisis, not everyone will escape unscathed as demonstrated by the suspension or reduction of dividends from a number of high-profile UK equities. The lack of political appetite for another blanket lockdown, evidence of economic recovery and the sheer weight of policy stimulus suggest there is support for equities for the time being despite valuations looking full by historical standards

No one knows what the "new normal" looks like but we expect structural changes to continue and possibly accelerate. This includes a shift towards international investment where many of these opportunities can be found. Our themes associated with e-commerce, software services, emerging market consumers and digital leisure should benefit, and we are also maintaining our exposure to reliable defensive companies such as those in the healthcare sector.

## CO-LEAD MANAGERS



### Howard Jenner - Executive Director

Howard studied English and Psychology at Southampton University before joining Laing & Cruickshank in 2001, which was acquired by UBS in 2004. In 2006, he moved with the majority of his former colleagues to Cheviot Investment Management, which subsequently merged with Quilter. He is a Chartered Fellow of the Chartered Institute of Securities and Investment (CISI) and chairs the Charity Asset Allocation Sub-Committee. Howard is a member of the international equity,

alternatives and fixed interest committees. Amongst his charitable commitments, he is a member of the Royal College of Arts' investment committee.



### Gemma Woodward - Executive Director

Gemma joined Quilter Cheviot in 2015. She is responsible for managing charity portfolios, as well as leading the company-wide approach to responsible investment. She has over twenty years industry experience and has spent the majority of that time focused on the charity sector and specifically clients with complex ethical and socially responsible investment requirements. Gemma started her career at Lloyds Bank; she joined Newton in 2002, following the acquisition of

the Henderson private client and charity business; and latterly was at Kleinwort Benson. She graduated from Durham University with a degree in history in 1994, is a Chartered Fellow of the Chartered Institute of Securities and Investment (CISI) as well as holding the Chartered Wealth Manager designation. Gemma is a member of the Investment Oversight Committee and the Charity Asset Allocation Sub-Committee. She is a trustee of two charities as well as being on the investment committee of an additional charity.

The Quilter Cheviot Global Income and Growth Fund for Charities is for UK charities only.

### CONTACT DETAILS

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**Risk Warning: The value of investments and the income from them can go down as well as up. You may not recover what you invest. There are risks involved with this type of investment. Please refer to the Prospectus and Key Investor Information for further details visit: <https://www.quiltercheviot.com/uk/charities/caif/>.**

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