

# Cheviot Balanced Fund

Factsheet - July 2010

Cheviot Asset Management, 90 Long Acre, London WC2E 9RA

www.cheviot.co.uk

Registered in England Number 1754391. Registered Office: 90 Long Acre, London, WC2E 9RA



A multi-asset fund of funds that looks to provide a balanced investment strategy through investing in a well diversified spread of collective funds from each asset class and/or geographical sector. Our independence allows us to select the best performing collective funds in the market place, without any affiliation to or over-reliance on one single investment house.

## Fund Aim

To provide a balance of income and capital growth through investment in a diversified portfolio of predominately collective investment schemes. There may be occasions when the Fund invests in equities, government securities, bonds, cash and money market instruments. Investments will not be confined to any particular economic or geographic sectors.

## Investment Process

Cheviot's investment process combines strong disciplines with bespoke, flexible asset allocation and stock selection. Our approach is a combination of 'bottom-up' and 'top-down' analysis. We are not constrained by one particular investment style (such as growth, value etc.) and believe the best returns come from a flexible approach during different economic cycles.

We aim to reflect our views on asset class and geographical allocation through the portfolio and support these with conviction ideas from the collective fund universe. To select our holdings we use a combination of quantitative analysis, in-house fundamental research, and brokers' research notes. We insist on face-to-face meetings with all managers with whom we plan to invest and submit them to a rigorous due diligence process. Once invested we monitor and review performance on an ongoing basis.

## Fund Manager Comment

There is much chatter in the press about the possibility of a double-dip recession in the global economy. This is predicated on some recent data which has pointed to a slowing of growth in the US and China. Combine this with worries over the health of parts of the European banking sector and a series of austerity budgets announced across the Continent and in the UK and you have a recipe for unease. In truth, double dips are comparatively rare and are often the result of policy errors. To this end, a global double-dip seems unlikely. What seems more believable is that the rate of growth going forward will be more moderate, but skewed towards budget-surplus developing economies rather than heavily indebted developed countries. The Chinese have been trying to dampen down their rate of growth because of inflationary concerns. This now seems to be working, but it doesn't mean that there will be no growth at all. Think 8% rather than 11%. Equity valuations now look very attractive, especially against government bonds. The calendar 2011 p/e on the UK stockmarket is 8.5x, with a dividend yield of 4.2% (excluding BP). This compares with a 10-year gilt yield of 3.4%. Additionally, companies are in better shape than they were two years ago, with strong balance sheets. An additional positive factor is that takeover activity is likely to increase, given sterling's weakness over that period (down 20% trade weighted).

During the month we sold our position in the RWC Global Convertible Bond Fund, which has not performed well since we purchased it and has suffered from a change of manager.

### Portfolio Breakdown

<b>Fixed Interest</b> <b>14.86%</b>	<b>North America</b> <b>12.97%</b>	<b>Global</b> <b>7.46%</b>
UK Treasury 2.5% Index Linked 2020 Thames River Global Bond CG Real Return Henderson Strategic Bond M&G Corporate Bond	Axa Framlington American Growth Findlay Park American Smaller Co's Martin Currie North American	JPM Natural Resources Guinness Global Energy Polar Capital Technology Climate Assets Fund
<b>UK Equities</b> <b>34.64%</b>	<b>Europe (ex UK)</b> <b>8.52%</b>	<b>Alternative Investments</b> <b>6.99%</b>
Jupiter UK Growth BlackRock UK Dynamic CF Walker Cripps UK Growth M&G Recovery Invesco Perpetual Income Jupiter Income BNY Mellon Newton Higher Income	Cazenove European BlackRock European Dynamic	F&C Event Driven HSBC Infrastructure Trust 3i Infrastructure Trust Odey European Inc. Abydos Holdings
	<b>Asia Pacific (ex Japan)</b> <b>5.99%</b>	<b>Cash</b> <b>5.00%</b>
	First State Asia Pacific Leaders Schroder Asia Pacific Tosca Asia	
	<b>Emerging Markets</b> <b>3.57%</b>	
	Lazard Emerging Markets Findlay Park Latin America	

Cumulative performance (%) to 30 June 2010	6 Month	1 Year	Since Launch*
CF Cheviot Balanced Fund - A Accumulation	-0.67	17.75	-6.91%

Discrete year performance (%) to 30 June 2010	2009-10	2008-09	2007-08	2006-07	2005-06
CF Cheviot Balanced Fund - A Accumulation	17.75	-15.23	-7.94	-	-

\* Launch Date 10 Apr 2007

Past performance is not a guide to future performance and future returns are not guaranteed.

## Contact Details

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London WC2E 9RA

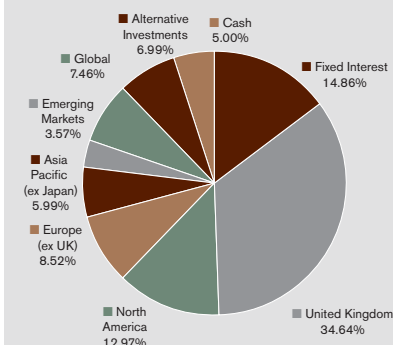
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## Fund Data as at 30 June 2010

Launch Date	10 April 2007
Launch Price	100.00p
Current Price (Retail - Acc)	92.99p
Fund Structure	OEIC/NURS
ISAs/SIPPs/SASSs	Eligible
Fund Size	£8,523,233
Base Currency	GBP
Benchmark	FT APCIMS Balanced
IMA sector	Balanced Managed
Annual Fee	1.5% (Retail) 1.0% (Institutional) No performance fees
Minimum Investment/Regular Savings	£1,000/£100 (Retail) £1m/£50,000 (Institutional)
Estimated Running Yield	2.4%
Ex-Dividend Dates	31 Mar & 30 Sept
Dividend Pay Dates	31 May & 30 Nov
Dealing/Pricing	Daily at 8.30am
Sedol No's Retail (Acc/Income) Institutional (Acc/Income)	B1VD5Z4 / B1VD532 B1VD907 / B1VD7PB
Dealing Line (Capita Financial)	08459 220 044

## Asset allocation



# Cheviot Balanced Fund

## Investment Themes

### CG Real Return Fund

A specialist fixed interest fund with c. £600m in assets under management. The Fund invests solely in index-linked governments bonds, with a heavy bias away from the UK. The Fund has displayed low levels of volatility combined with a negative correlation with equity markets. Because the currency exposure is left un-hedged, it benefits from a weaker pound sterling. This Fund offers a useful protection against inflation. The Fund has been closed to new investors since March 2009.

### Invesco Perpetual Income Fund

Neil Woodford has managed this UK equity income fund since 1990 and has enjoyed one of the best track records of any fund manager in the UK. He tends to pursue a defensive approach towards UK equity investment, often eschewing some of the more highly rated areas of the market in favour of sectors with more visible earnings streams such as tobacco and utilities. His funds have performed particularly well, in relative terms, in falling markets. The Fund is currently some £4bn in size.

### Findlay Park American Smaller Companies Fund

Findlay Park is a boutique US small-cap equity fund manager, founded by Jamie Findlay in 1998. Findlay had previously enjoyed an excellent track record at Foreign and Colonial and has continued to exhibit above average performance whilst at Findlay Park. The American Smaller Companies Fund has outperformed its benchmark every calendar year - bar one (2003) - since inception in 1998. The Fund maintains a deep value investment style and is over \$4bn in size. The Fund has been closed to new investors since 2002.

### Polar Capital Technology Trust

The objective of the Fund is to maximise capital growth through investing in a diversified portfolio of technology companies around the world. It is a well diversified fund predominantly invested in blue-chip companies such as Apple, Google, Microsoft, Cisco Systems and Samsung. The majority of the Fund's investments are in North America and Asia which are set to be the main beneficiaries of technology expenditure with economic growth returning and expected to increase throughout 2010. The Fund is focused on investing in 'next-generation' companies that have the scope for accelerated earnings growth as the adoption of new technology becomes a competitive necessity. The Fund has total assets of £350 million and is currently trading on a discount to its net asset value.

### HSBC Infrastructure Trust

The Fund invests in infrastructure projects which are predominantly in their operating phase and yielding steady returns. Infrastructure as an asset class offers an inflation protected and steadily growing yield (currently 5.2%) with some potential for capital growth. Recent evidence suggests that it shows little correlation with global equity markets, and is a useful way of diversifying exposure within portfolios. HSBC's portfolio of assets is predominately UK based and includes the Greater Manchester Police Headquarters and the Ministry of Defence training college in Colchester.

## Cheviot Asset Management

- Largest independently owned private client investment manager in the UK with £3.2 billion of assets under management
- Performance driven investment process with track record from 1995
- Robust operating platform with 120 staff, partners' average investment experience is 25 years
- Dedicated collective fund selection team of 7 individuals with over 100 years combined investment experience who are responsible for the selection of c. £800m of collective funds held in Cheviot portfolios.

### Historical Performance (%) to 30 June 2010

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2007	-	-	-	0.28*	1.45	-0.42	-3.02	-1.62	3.62	2.38	-3.77	1.95	0.58
2008	-5.79	2.77	-3.51	2.84	1.54	-4.96	-3.33	2.54	-7.92	-15.38	-0.82	5.32	-25.18
2009	0.21	-4.94	1.59	5.29	2.85	0.24	3.93	5.36	4.7	-1.81	1.65	3.61	24.54
2010	-2.14	2.23	5.29	-0.18	-5.08	-0.47							-0.67

\* Launch Date 10 Apr 2007. Past performance is not a guide to future performance and future returns are not guaranteed.



### William Buckhurst - Fund Manager

William graduated with a BA (Hons) degree in Classics from Newcastle University in 2001. He began his career in 2002 at Laing & Cruickshank Investment Management, which was acquired by UBS Wealth Management in 2004. William joined Cheviot Asset Management in 2006 where, in addition to managing discretionary portfolios, he co-manages the Cheviot Balanced Fund and the Climate Assets Fund and sits on the firm's fund selection committee. He also has responsibility for the firm's ethically screened portfolios.



### Alan McIntosh - Chief Investment Officer

Alan joined Cheviot in 2006 and was appointed Chief Investment Officer, having been Senior Equity Strategist at Laing & Cruickshank and UBS Wealth Management. Alan has overall responsibility for asset allocation decisions made on the Fund.

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Cheviot Asset Management is authorised and regulated by the Financial Services Authority and is a member firm of the London Stock Exchange. Registered in England Number: 1754391. Registered Office: 90 Long Acre, London WC2E 9RA.

The Cheviot Balanced Fund is a sub-fund of CF Cheviot Investments Funds. The Authorised Corporate Director is Capita Financial Managers Limited.