City Financial

31 MARCH 2017

Multi Asset Balanced Fund Factsheet

This document provides you with information about the Fund.

The City Financial Multi Asset Balanced Fund seeks to achieve attractive risk-adjusted returns relative to the average fund in the IA sector; an outcome which the manager believes is consistent with growth ahead of inflation. The team's macro views are primarily expressed through funds, investment trusts and options, drawing on a strong fund research capability.

SUITABILITY

- The Fund is suitable for investors who are cautious in their investment approach and seeking a core long-term holding that blends different asset classes to provide diversification and the potential to lower the overall volatility of their returns.
- They may be looking for their investment to grow ahead of inflation (Consumer Price Index in normal market conditions) with some preservation of their investment. Historic asset class performance suggests this is a likely outcome of the manager's objective of outperforming the median fund in the sector with below-average volatility. However, there will always be some exposure to equities.
- The Fund may be a solution on its own or as part of an investment solution as a core holding.

KEY BENEFITS OF INVESTMENT STRATEGY

- The comprehensive investment process, encompasses both macro-economic and fund-specific analysis by a well-resourced team. Its aim is to deliver a repeatable investment outcome.
- The combination of quantitative and qualitative inputs to all stages of the process enhances the rigour of the analysis.
- The manager's ability to use derivatives to undertake hedging activities may help mitigate downside risk but this is not guaranteed.

RISK COMMENTARY

The Fund's KIID Synthetic Risk and Reward Indicator (SRRI) is 4. This is a regulatory measurement that is, where possible, calculated from the volatility of the Fund's weekly performance over a five-year period. A score of 4 means the Fund's historic volatility is between 5% and 10%.

The Fund's risk category is a measure of how significant the rises and falls in the share price have been historically.

Lower risk ⟷ Higher risk

Typically Lower Rewards ⟷ Typically Higher Rewards

1	2	3	**4**	5	6	7

KEY FUND FACTS

Inception date:	01 May 2008
Manager:	Mark Harris
Fund size:	£40.9m
Fund domicile:	United Kingdom
IA sector:	IA Mixed Investment 20-60% Shares
Share class types:	Acc and Inc
XD dates:	31 March and 30 September
Dividend distribution:	31 May and 30 November
Charge details:	see OTHER FUND FACTS table

FUND DESCRIPTION

Formal investment objective

The investment objective of the Fund is to achieve consistent long-term returns from both capital and income by investing across a balanced global portfolio of assets.

Investment team

City Financial's Multi-Asset Team brings together experts at macro-economic research, fund management and fund analysis. Their range of experience and expertise, we believe, set the team apart from their peers. Mark Harris, Head of the Multi-Asset team, has managed the Fund since October 2011. He previously managed over £1 billion in assets at New Star Asset Management (subsequently Henderson), gaining recognition through a range of industry awards and ratings.

Investment philosophy

The manager aims to deliver attractive risk-adjusted returns in all market conditions, with a superior medium-term return and lower volatility than the average fund in the IA Mixed Investment 20-60% Shares sector. He rotates the Fund's holdings through asset classes and styles, exploiting market inefficiencies and looking for the best sources of future returns for the appropriate level of risk. He will use derivatives, often options, to protect the portfolio from tail (extreme) or event risk. He seeks to provide top-quartile risk-adjusted returns within the IA peer group over longer-term time periods.

Investment process

The approach is based on rigorous quantitative and qualitative assessments of the macro-economic environment, market conditions and funds. Quantitative models, investment bank research and independent analysis are key inputs in formulating top-down expectations and identifying where they are not reflected by asset class pricing or positioning. The research encompasses analysis of global economic growth, central bank policies, debt dynamics and market valuations. The manager also considers more positive and negative scenarios to ensure the resulting asset preferences have appropriate risk and reward characteristics. The analysis and findings are challenged and tested at a monthly team strategy meeting.

In assessing investments for the portfolio, we use a range of systems to undertake style analysis and attribution. We then undertake face-to-face manager interviews to extend our analysis. These interviews also inform us of the manager's understanding of the risks being run and the portfolio construction process. A report is produced explaining past returns, with supporting evidence, and forecasting future performance. Fund selection is reviewed at a formal weekly team research meeting.

Portfolio construction and risk controls

Risk is at the heart of the process, in line with the manager's primary focus on mitigating losses and delivering strong risk-adjusted performance. Risk is monitored continuously for both underlying positions, which are subject to stop losses, and for the portfolio in aggregate, to ensure the avoidance of unintended risks and appropriate diversification within the portfolio. Derivatives are often used to reduce portfolio risk by hedging specific exposures. However, their use is not restricted to hedging, and derivatives that increase the risk profile of the portfolio, resulting in greater performance variability, may also be held.

The Fund's asset allocation and style exposures are dependent upon the top-down analysis process. However, the manager is cognisant of the aggregate positioning of the fund relative to the IA Mixed Investment 20-60% Shares sector and rarely deviates by more than 10 percentage points from the geographical and asset exposures of the peer group.

MANAGER COMMENTARY

Global asset markets delivered mixed performance in March 2017. Economic data remained robust but many markets and sectors suffered from pronounced rotations as investors strived to assess the sustainability of the upturn that has been witnessed in equity markets and economic activity since Q2 2016. This was particularly evident in further underperformance from many sectors that had led markets higher in H2 2016, including US banks and Japanese value stocks.

Global equities were marginally positive over the month, as the MSCI World Index was up 0.12%, but healthy returns from European and Asian indices were broadly offset by weakness in the US and Japan. The S&P 500 Index was down 0.88% and the MSCI Japan Index was down 1.19%, while the MSCI Europe ex UK Index was up 4.28%, the MSCI Emerging Markets Index was up 1.51% and the MSCI AC Asia Ex. Japan Index was up 2.24%. UK equities were positive but to a lesser degree than continental European markets – the MSCI UK Index was up 0.88%.

The outperformance from emerging markets was supported by weakness in the US dollar. The Dollar Index ended the month at 100.35 (down 0.76%), alleviating concerns about excessive strength despite another rate hike from the Federal Reserve. Sterling was strong even though Article 50 was formally invoked, reflecting excessive negative positioning in the currency. GBPUSD ended the month at 1.255 (up 1.37%).

Despite intra-month volatility, government bonds in the UK and the US were little changed over March. In keeping with the stronger performance from riskier assets in Europe ex UK as election risks appeared to fade, German government bond yields rose more meaningfully. At the end of the month, the UK government 10-year bond yield was down 1bps at 1.14%, the US government 10-year bond yield was unchanged at 2.39% and the Germany government 10-year bond yield was up +12bps at 0.33%.

High yield bonds were marginally negative in local currency terms, with the US market mostly recovering from initial weakness despite renewed oil price weakness – WTI was down 7.04% in US dollar terms.

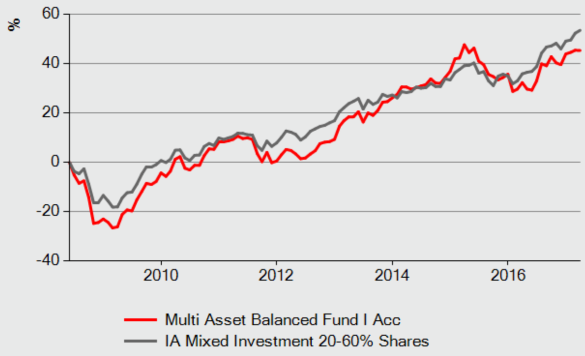
It is our firm belief that we are working through a defining moment of change that started in the summer of 2016. In our opinion, we have made moved from a 'vicious' deflationary cycle that centred on extreme US dollar strength and tightening liquidity building on each other, to a 'virtuous' cycle where one good thing will build upon another.

It is very evident that the global growth outlook is improving – a wide range of survey data and some hard data are strengthening. Against the backdrop of continuing improvement in the global economy and a tight labour market, we believe that the Fed will have to raise US rates as shown by their estimates but that markets are underestimating this potential. Should this be correct, government bonds should weaken and it is highly likely that the US dollar will strengthen further against most developed market currencies, as interest rate differentials will widen. In simple terms, rates will be going up in the US at a much faster pace than in other developed markets.

In the immediate future, there is most likely to remain a volatile tug of war between the different constituencies of investors in the first half of 2017, i.e. those who believe in the recovery and those who believe in a continued deflationary environment. Whilst change in policy stance is definitely here, investors have yet to differentiate and price all of these divergences. There has only been a grudging acceptance and 'buy in' to the recovery and equity outperformance amongst US investors.

It will take time for these divergent views to be resolved by economic data but we stand by our longer-term view that equity markets will be higher this year, bonds have ended their 35-year bull market and the US dollar should strengthen in Q2 2017

PERFORMANCE VS IA MIXED INVESTMENT 20-60% SHARES



	1 year to 31/03/2017	1 year to 31/03/2016	1 year to 31/03/2015	1 year to 31/03/2014	1 year to 31/03/2013
Fund (%)	9.85	-10.40	13.15	10.19	13.02
IA Sector (%)	12.98	-2.38	8.51	3.61	10.32
Quartile	4	4	1	1	2

CUMULATIVE PERFORMANCE (%)

	1 year	3 years	5 years
Fund (%)	9.85	11.36	38.70
IA Sector (%)	12.98	19.67	36.79
Quartile	4	4	3

All data sourced from Morningstar Direct, Bloomberg and City Financial as at 31/03/2017, unless otherwise stated.

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FINANCIAL INFORMATION

Prices	
Class A Acc	134.72p
Class A Inc	123.37p
Class I Acc	138.67p
Class I Inc	129.21p
Class R Acc	120.10p
Class R Inc	114.01p
Total net assets	**£40.9m**

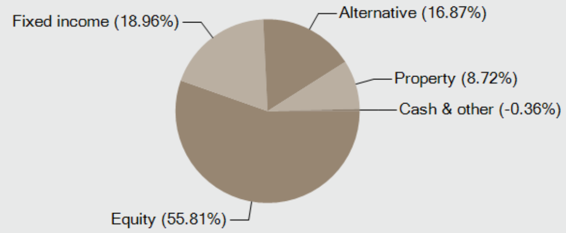
OTHER FUND FACTS

ISIN - Class A Acc	GB00B28CC613
ISIN - Class A Inc	GB00B28CCB60
ISIN - Class I Acc	GB00B84XK441
ISIN - Class I Inc	GB00B89R1H14
ISIN - Class R Acc	GB00BF2H6830
ISIN - Class R Inc	GB00BF2H6723
Fund type	UCITS
Dealing and valuation frequency	Daily
Valuation time	12:00 pm
Accounting year-end	30 September
Settlement	T+4
Base currency	GBP (Sterling)
Charges levied against	Income
OCF* (%)	Cl A: 2.34, Cl I: 1.43, Cl R: 1.59
Initial charge (%)	0.00 (all share classes)
Performance fee	None
Depositary	BNY Mellon Trust & Depositary (UK) Limited
Registrar	Capita Financial Administrators

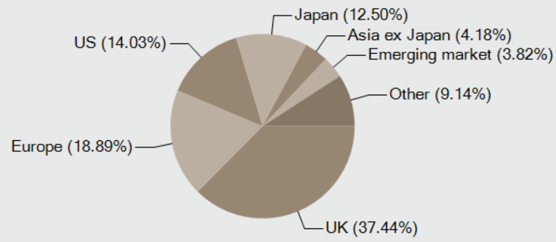
*On-going charge figure (OCF) – combines the Annual Management Charge (AMC) with the Fund's other expenses in running the fund, e.g. custodian fees, and also includes the OCF of other funds that the multi-asset fund may invest in, but excludes portfolio transaction costs.

All data sourced from Morningstar Direct, Bloomberg and City Financial as at 31/03/2017, unless otherwise stated.

ASSET ALLOCATION



EQUITIES BREAKDOWN



TOP 10 HOLDINGS

Man GLG Japan CoreAlpha Equity Fund	Equity
Third Point Offshore Investors	Alternative
Schroder European Alpha Income Fund	Equity
VPC Specialty Lending Investments	Fixed income
VT Garraway UK Equity Market Fund	Equity
Ardevora UK Equity Income Fund	Equity
Summit Germany	Property
Blackrock European Dynamic Fund	Equity
Impact Healthcare	Property
Polar Capital UK Value Opportunities	Equity

Please note figures may not add up to 100% due to rounding. The figures above are rounded to second decimal place.

NOTE: The cash level in the asset allocation chart shown above is temporarily negative and this may occur for a number of reasons including fund outflows and different timings of purchases and sales.

DYNAMIC PLANNER™ PROFILED 5

The Dynamic Planner risk profile provides an independent forward-looking estimate of the expected risk of the fund over the long term, based on a scale of 1 (lowest) to 10 (highest). The risk profile allocated does not imply a positive rating recommendation of the fund.
Further information about the risk-rating methodology is available at www.dynamicplanner.com.

Should you have a complaint, please contact Ben Ellenbogen at City Financial Investment Company Limited, 62 Queen Street, London, EC4R 1EB, Tel: +44 20 7451 9600 or email ben.ellenbogen@cityfinancial.co.uk with a copy to Compliance@cityfinancial.co.uk. Allowable complaints are accepted in the language of the complainant and City Financial will arrange for a prompt professional translation of the complaint.

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