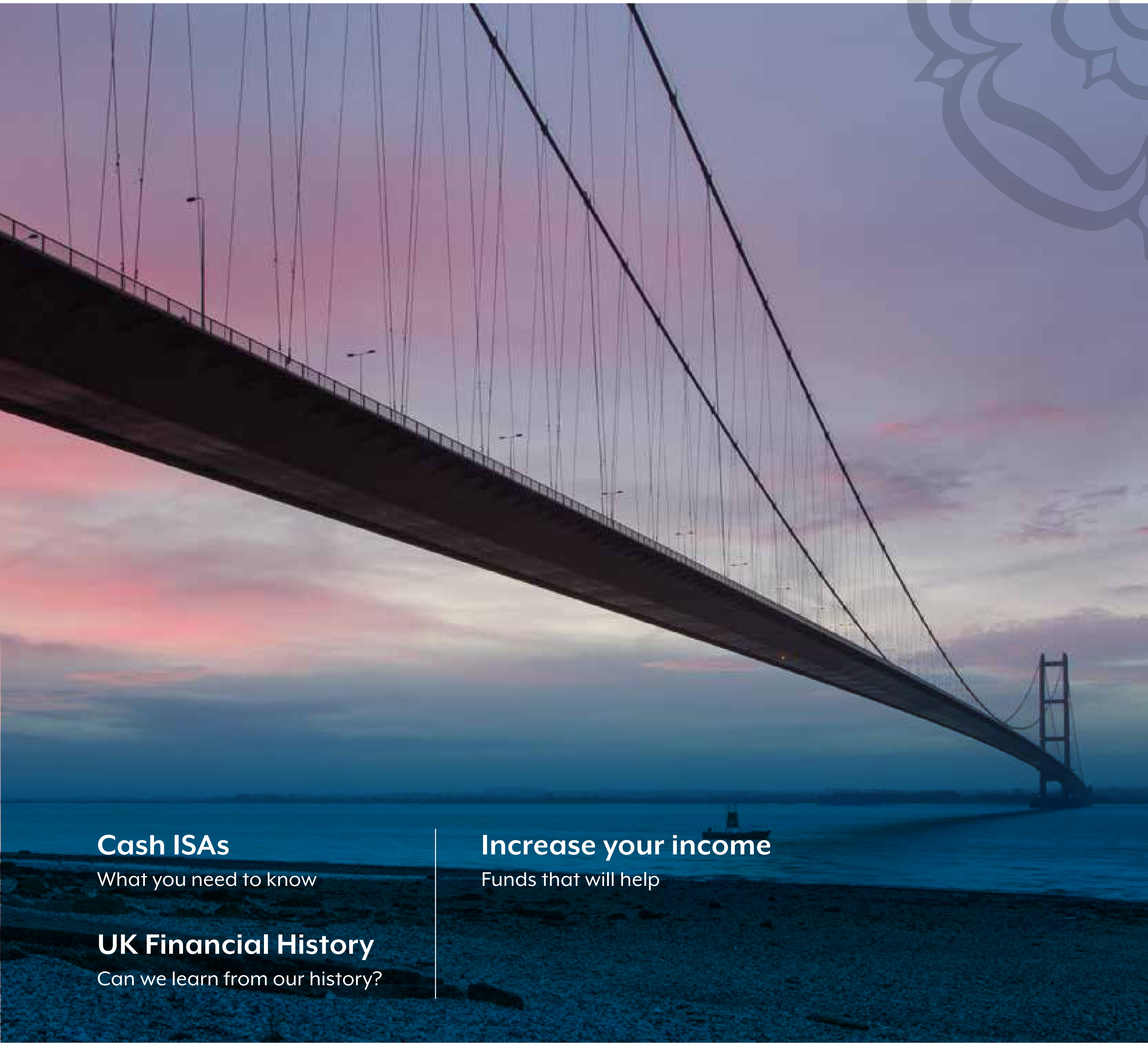
Issue 1 October 2016

CHARLES STANLEY INVESTMENT CHOICES NEWS



Cash ISAs
What you need to know

UK Financial History
Can we learn from our history?

Increase your income
Funds that will help

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What's inside?

Need help?

If you would like to discuss the investments described in this newsletter, or need help completing the application forms, please get in touch - we're here to help!

01482 861455

5/7 Landress Lane, Beverley,
East Yorkshire, HU17 8HA

info@csinvestmentchoices.co.uk

www.csinvestmentchoices.co.uk

How to invest

Please turn to the back cover to find out how to invest.

Fund Focus:

We have highlighted the following funds in this newsletter.

- **Aviva Strategic Bond Fund** - Page 9
- **Evenlode Income Fund** - Page 11
- **First State Global Listed Infrastructure** - Page 13
- **CF Woodford Equity Income Fund** - Page 15

For more information on these and other funds, please contact us.

A note from your editor...

Mark Feely
General Manager

Welcome to the first edition of our new look quarterly magazine, **Charles Stanley Investment Choices News**, which I hope you will find both informative and helpful.

When compiling the content we always try to include subject matter that is relevant to what is happening in the world today. In this edition we have focused on the current low interest rate environment.

Following the results of the BREXIT vote the Bank of England reduced UK interest rates from their already historically low level to 0.25%. Whether this proves to be a wise move or not will become apparent in the coming months. The result however, has been an immediate impact on rates of interest earned on savings and in particular the interest payable on **Cash ISAs** where we have seen across the board reductions. Not surprisingly many investors are now considering alternative investments to counter the unattractive rates paid by Cash ISA providers

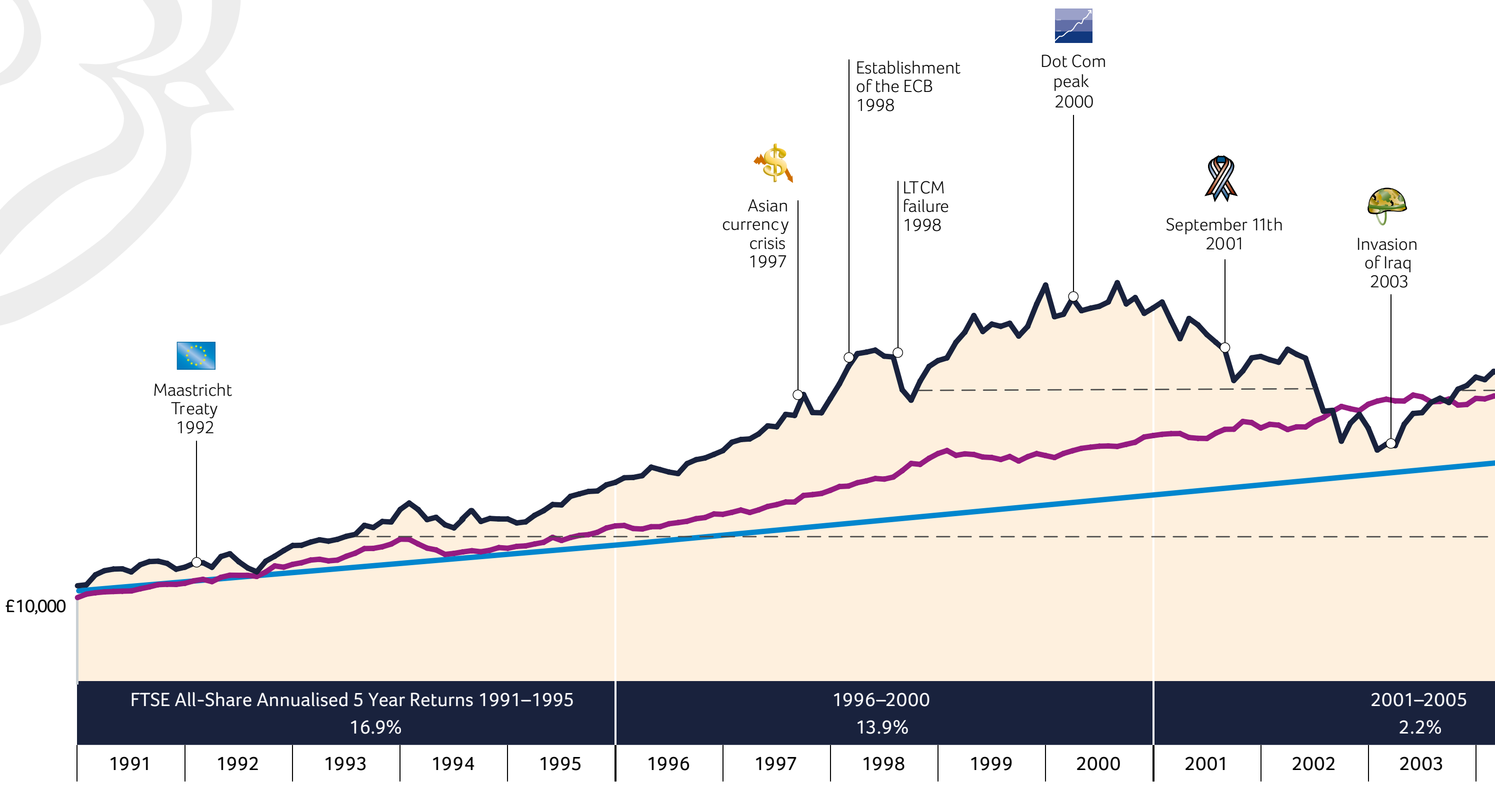
On the following pages we discuss some of these alternatives. It's certainly not an exhaustive list but will provide some options for you to consider. If there is anything we have highlighted that you want to discuss further please do not hesitate to contact us and we'll be happy to help. Alternatively, if you would like us to call you back at a time more convenient to you, complete and return the response slip enclosed.

Good luck with your investing!

Mark.

Investing for the Long Term

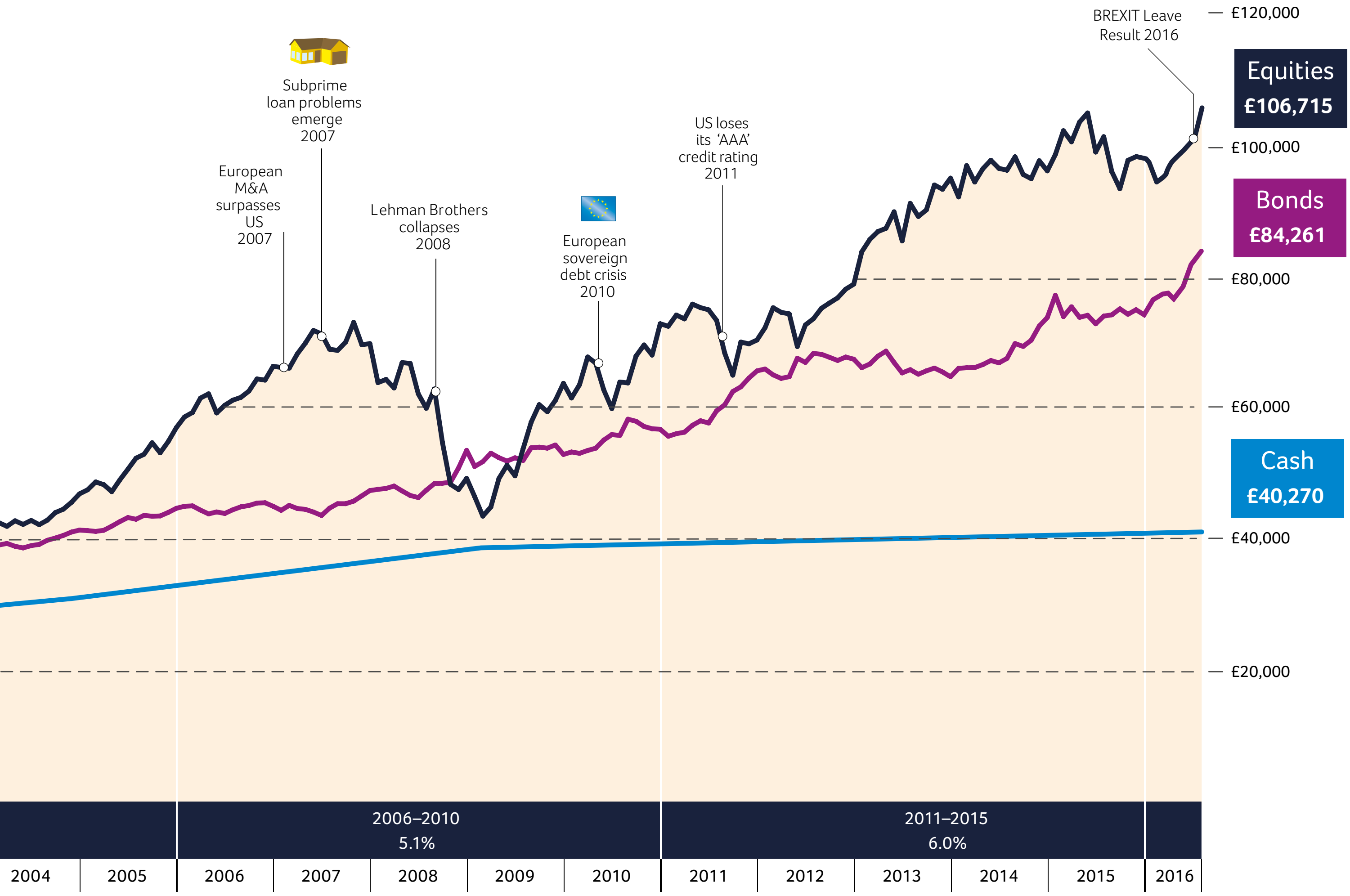
Despite volatility, markets have appreciated over time.



Financial markets can be volatile and downturns as well as upturns are part of equity investing. But short-term declines should not detract from the potential of the stock market to help investors meet their goals. In fact, short-term market declines underline the case for a long-term approach to investing.

Of course, the investment choices depend on an investor's specific circumstances, goals, attitude to risk and investing time horizon. This will influence how much money is allocated and, if appropriate, how much of this is invested in growth-oriented equities. All financial investments involve an element of risk, so the value of your initial investment cannot be guaranteed and the historical performance of markets is not a guide to future returns.

The chart shows that even with market volatility, an investment in the FTSE All-Share Index 25 years ago would have grown to more than **seven times** its original value by December 2015.



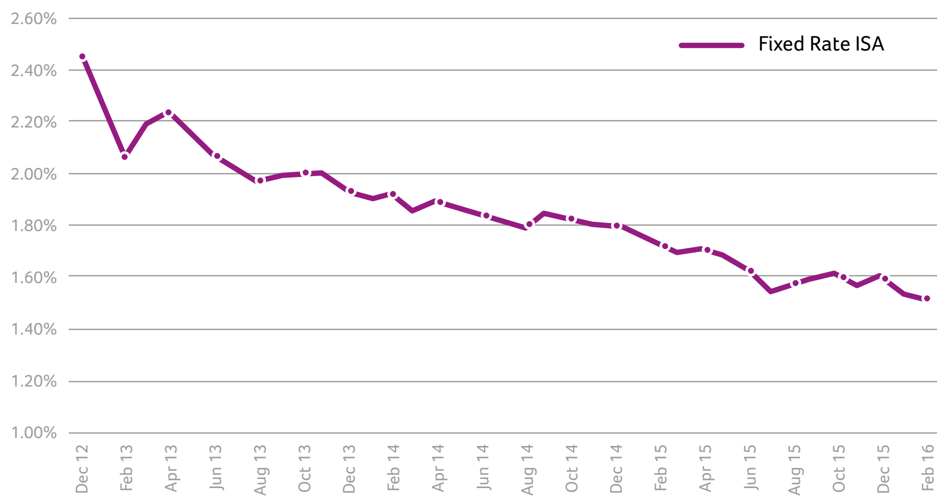
Source: Thomson Reuters Datastream. All data from 31 December 1990 to 31 July 2016. The information provided is for illustrative purposes only and is not meant to represent the past or future performance of any particular investment. It is not possible to invest directly in an index. Equities are represented by the FTSE All-Share Index (total return). Bonds are represented by the FTSE Actuaries UK Gilts All Stocks Index (total return). Cash is represented by three-month LIBOR rates. All returns are in sterling terms and are based on monthly closing prices of the respective indices.

Cash ISAs
don't be complacent

1999 saw the first Ford Focus roll off the production lines, average house prices in the UK were standing at an affordable £79,000 and the Bank of England base rate was a very heady 5.5%. It was also **the year that Cash ISAs were launched**.

Designed to provide a different option for those that didn't want to risk the uncertainty of the stockmarket, their introduction proved very popular to savers nationwide. However, a lot has happened in 17 years and whilst the interest rates on offer remained attractive during the first part of the 2000's, today the best deals on the market are considerably lower, with some easy access Cash ISA rates hovering around the 0% mark. As can be seen on the Fixed Rate ISA Average graph, rates have been in steady decline for a number of years.

Fixed Rate ISA Average



Source: Savings Champion

"Risk comes from not knowing what you're doing" Warren Buffett

The BREXIT vote has already affected Cash ISA interest rates.

Many financial institutions were taken by surprise with the 'leave' result and have been scrambling ever since to adjust to the new environment. Prior to the vote interest rates were being 'talked up' and it was anticipated that it was only a matter of time before an interest rate rise was announced. The 'leave' result however, prompted the Bank of England to announce that it would do *whatever* it takes to ensure that the UK economy is protected and continues to flourish. The reaction has been decisive and swift with a reduction in UK interest rates announced in August from the previously all-time low of 0.5% (a level they had remained at since 2009) to 0.25%.

The pressure on savings rates is now very much on the downside in the UK and there seems very little on the horizon to suggest that this picture will change. Although interest rates rises are anticipated in the United States it is unlikely this will influence Mark Carney's (Bank of England Governor) outlook on the UK and interest rates here will continue at their current depressed levels.

Are Cash ISAs still a worthwhile investment?

When managing your finances it is always sensible to hold some of your assets in cash for easy access. However, the introduction of the personal savings allowance in April 2016 which allows investors to receive interest up to £1,000 per year tax free has prompted some commentators to question whether there is a need to continue to take advantage of the annual Cash ISA allowance.

The argument is that in many cases, it makes no sense to have a Cash ISA holding when a better rate of interest can be obtained simply by transferring the balance to a current account which pays a far higher interest rate. For example if the interest rate payable on a current account was 2% your cash holdings would need to exceed £50,000 before any tax is payable following the introduction of the personal savings allowance.

Cash ISA holders should be asking themselves whether their cash balances should be allowed to continue to languish in a low interest rate environment with very little prospect of improvement or whether other options should be considered (i.e. a Stocks & Shares ISA).

Risk vs Reward

Investing in the stock market can be a daunting experience for the uninitiated and automatically many will shy away, preferring the security of their traditional 'cash' investments – after all "my money will not fall in value will it?" It's true that the face value will remain the same (i.e. your £1,000 remains at £1,000 with a little bit of interest added every year), the real value (or purchasing power as it's called) reduces after inflation is taken into account. With interest rates unlikely to increase for the foreseeable future, inflation will continue to eat into the face value of cash holdings and reduce the buying power of that cash over time. Making the decision to move some of your cash to a stock market investment can help reduce those inflationary worries, as well as potentially providing a higher level of income along with the possibility of some growth. It should be remembered however, that stock markets are volatile, the value of your investments in Stocks & Shares ISAs can fall as well as rise and that you may get back less than you invested.

How do I decide what to invest into?

It's worth bearing in mind the above quote from Warren Buffett, a renowned investor who is now one of the wealthiest men in the world.

At CS FundChoi, we have been helping and guiding investors for over 31 years. Our staff are active investors themselves with many years of investment experience from which to draw upon. We also have the added support of our larger parent company, Charles Stanley & Co Ltd whose research we utilise to supplement our own. There are thousands of funds from which to select when considering where to invest and we use the combined resources available to select funds we consider may be of interest to you in the current economic climate.

The four funds we highlight in this Newsletter all provide a competitive albeit variable income. The companies that the fund managers invest in tend to have a history of growing their dividend distribution over a prolonged period of time, have strong cash flows and in some cases will be active in sectors that are not adversely affected by market downturns (i.e. tobacco companies).

What do I do next?

If you identify a fund that could meet your needs, please complete either the enclosed ISA application or ISA Transfer application which we have enclosed and return this to us at CS Investment Choices. If you want to invest outside of an ISA please call us for an application form. Should you wish to discuss any aspect of the funds highlighted or have a question relating to your existing portfolio and want to find out more about how we can help, please don't hesitate to call us on **01482 861455**.

Investing in Fixed Interest Securities

First of all – what are they?

When a company or a government want to raise money it issues what is called a *fixed interest* security (these are also commonly referred to as *corporate bonds*). Such securities issued by the UK Government are known as *gilts* or *gilt-edged* securities. When an investor buys the security they effectively loan the government or company money and in return receive a fixed income until either the loan expires and the capital is returned or, the security is sold.

What are the risks?

As with all investments however, whether held as cash in the bank or investing in the stock market, there are risks attached. This may surprise some investors, especially where gilts are concerned.

Corporate Bonds

- These are generally less risky than shares but if a company runs into difficulties it may have difficulty continuing to make the interest payments or paying back the investor at the end of the terms – in other words, you could lose all of the original investment.
- Changes in interest rates can result in a fall (or rise) in the value of your investment.
- Where a number of securities have been issued by the same company, and that company runs into difficulty, each security may have different levels of priority in relation to the payments that the company is obliged to make.

Government Bonds

These are usually considered the safest simply because countries are generally more financially secure. The UK government securities are considered very safe but because of this, the return they provide investors is usually relatively low. Indeed some countries offer negative rates on their bonds which leaves the investor with less capital than invested upon maturity! However, it should noted that there have been cases where countries have been unable to meet payments (Russia in the 1990's for example). In fact some large corporations have better credit ratings (a method which measures the likelihood of repayment of debt) than some non-UK governments!

Are they for me?

With a fixed income payable, securities are attractive to those that require a regular income. They are often also added to an existing portfolio of investments to adjust the overall amount of risk that is being taken. Investing directly in fixed interest securities is difficult for even experienced investors because of the complex nature of the market and the number of gilts and bonds available. Many investors therefore pool their money with others in a fund with the fund manager buying and selling the securities on your behalf. This investment route has the added benefit of further diversifying a portfolio because the fund manager will invest in a large number of securities within the fund that they manage.

Fund Focus

Aviva Strategic Bond Fund – Quarterly income of 3.82% per annum (variable) as at 15th September 2016

Managing a fund that invests in securities is a highly skilled occupation simply because of the number of investment opportunities available. To maximise returns, fund managers need to have an active approach in this market. One manager in particular who we believe is particularly well placed to do so is Chris Higham, manager of the Aviva Strategic Bond Fund.

The fund sits in what is termed as the *IA Sterling Strategic Bond* sector which allows the manager to invest in gilts and corporate bonds both here in the UK and overseas. Currently the total assets of the fund amount to circa £475m which is still quite modest when compared to other funds in the same sector.

The size of the fund provides Chris with a distinct advantage, allowing him to make tactical changes to the fund quickly to take advantage of market conditions or particular investment opportunities. It also allows him to run a focused portfolio of 80 to 100 holdings providing the opportunity to outperform. Larger funds in the sector typically have many more holdings reducing their capability to react to market movements.

Chris's willingness to manage the fund's exposure to the fixed interest market was particularly noticeable during the market volatility of 2008/9 and 2011. More recently, though, the portfolio has been stable with holdings only being added if they add value or they offer an attractive yield.

Despite a yield of just under 4%, fund performance has been slightly weaker than other funds in its peer group over the course of the last year – longer term results however have been strong although of course past performance is not a guide to future returns.

Like many similar funds in the sector it has lagged behind those with higher weightings of sovereign and other high quality bonds in the wake of the referendum result. The fund however, remains on our preferred list due to its long-term performance and the tried and tested ability of the fund manager.

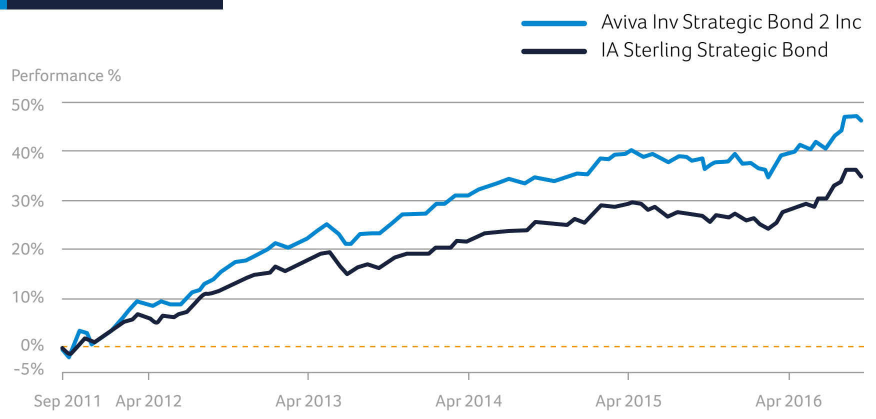
FUND FACTS

as at 15/09/2016

Fund Size	**£475m**
Fund Type	**OEIC**
Classification	**Income**
Launch Date	**22/09/2008**
Yield	**3.82%**
Ongoing Charges Figures*	**0.63%**
Initial Charge	**0%**
Annual Management Charge	**0.50%**
Dividend Dates	**15/09/2017** **15/06/2017** **15/03/2017** **15/12/2016**

*The ongoing charges figure will include the cost of investment management and administration, plus other costs of running the fund, such as fees for custodians (organisations that hold the assets safely for the investment managers), regulators and auditors. It will not include stamp duty, which is payable when buying shares in investment trusts, nor any performance fees. However, these fees will be published separately on the Key Investor Information Document.

PERFORMANCE



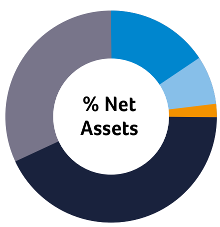
16/09/2011 - 15/09/2016 Source: FE Analytics

Discrete Annual Performance as at 30/06/2016

	0-12m	12-24m	24-36m	36-48m	48-60m
Aviva Strategic Bond 2 Inc	+2.3	+2.5	+10.7	+11.0	+3.1
IA Sterling Strategic Bond	+2.9	+2.4	+7.7	+7.3	+5.1

ASSET ALLOCATION

International Bonds	**43.1%**
UK Corporate Bonds	**32.1%**
UK Gilts	**15.8%**
Cash and Equiv.	**7.0%**
Other	**2.1%**



Source: Aviva Investors as at 31/07/2016.

How to Invest

The maximum amount you can invest in an ISA is £15,240 for the current tax year (minimum is £500). Alternatively invest from as little as £10 per month.

Complete and return the enclosed ISA/ISA Transfer application form along with a cheque made payable to **Cofunds Ltd** (our platform provider) RE: "your name". Call our Helpdesk if you want to invest outside of an ISA.

If you already have an account with Cofunds, call us with your debit card details and we will buy the fund for you.

Logon to your Cofunds account via the CS Investment Choices portal. Alternatively, call us and we will assist with your registration.

A reliable income...

We are all creatures of habit. We stick with a brand of washing powder or breakfast cereal only because we are familiar with them and unwilling to try something different (even if it is cheaper!). The same could be said of the investments we buy with many of us simply topping up existing holdings. After all why change when you are happy with investment returns you have enjoyed for a number of years?

Many of our clients invest in the UK Equity Income sector, particularly those who want to receive an income from their investments coupled with the prospect of some capital growth. Well-known fund managers such as Adrian Frost of Artemis and Clive Beagles of J O Hambro have delivered a regular income and capital growth over a sustained period and clients tend to remain committed to them because of that.

Limited Options

When selecting company shares to purchase, both Adrian & Clive will find themselves reviewing similar FTSE listed companies – this is equally true of many of the larger Equity Income funds. It is highly likely that if you invest in one of these funds that you will find that the top ten holdings are similar mainly due to the limited number of companies that the managers have to choose from and that meet the investment strategy of the fund.

Artemis Income top ten holdings

(as at 15.09.2016)

Name of Security	Allocation %
Relx PLC	3.89%
BP	3.78%
3I Group PLC ORD	3.68%
GlaxoSmithKline	3.42%
Imperial Brands PLC	3.39%
Astrazeneca PLC	3.09%
BT Group	2.96%
Informa PLC	2.88%
Lloyds Banking Group PLC	2.76%
Royal Dutch Shell	2.48%

JO Hambro UK Equity Income top ten holdings

(as at 15.09.2016)

Name of Security	Allocation %
Royal Dutch Shell	8.50%
BP	6.58%
HSBC Holdings	6.01%
Vodaphone Group PLC	5.58%
Astrazeneca PLC	5.24%
Rio Tinto	4.35%
Lloyds Banking Group PLC	4.26%
Aviva	3.78%
Barclays PLC	3.39%
Smith (DS)	3.06%

The variation in allocations are due to the fund's investment strategy, income targets and analysis of each company. If you had invested in both of these funds 5.49% of your assets for example would be held in Royal Dutch Shell. If that company underperforms your returns could be adversely affected.

Diversification is the answer – *but where to look*

Fund Managers build their reputations over a period of time and knowing that they can produce results consistently is key for investors. One of the younger talents in this sector who is earning a strong reputation is **Hugh Yarrow,** manager of the **Evenlode Income Fund**. Although there are a couple of similar holdings, the top ten holdings of the fund are very different from what you may class as a 'household' fund. Discarding your fund 'comfort blanket' and investing in Evenlode Income could provide the diversification you need.

Evenlode Income top ten holdings

(as at 15.09.2016)

Name of Security	Allocation %
Diageo	6.44%
Unilever	6.09%
Sage Group	4.66%
Microsoft Corporation	4.54%
Astrazeneca PLC	4.43%
GlaxoSmithKline	4.13%
Johnson & Johnson	3.98%
Procter & Gamble Co.	3.53%
Smiths Group	3.27%
Compass Group	2.91%

Fund Focus

Evenlode Income Fund – Quarterly income of 3.4% per annum (variable as at 15/09/2016)

Hugh takes a different approach to other more established Equity Income funds by targeting businesses that have market leading products, strong distribution channels or are in possession of intellectual property such as brands and patents. When he has identified these companies he tends to hold them for the longer term as they generate what he terms a "virtuous circle of profitability". With strong cash flows driving reinvestment and ultimately higher dividends.

The sector that comprises the largest part of the portfolio is *Consumer Goods*. Large international firms such as Unilever, Diageo and Proctor & Gamble display many of the attributes that Hugh looks for in a company. The repeat-purchase nature of their products and brand recognition continues to support sales with a healthy cash flow supporting dividend distributions. Each produces a yield of over 3% and he expects them to be an important contributor to the funds income for some time to come.

Other sectors that are favoured include software companies. Here, Hugh believes that, as with consumer goods, customer loyalty will support cash flow through contract renewals providing a level of protection. Companies such as Fidessa and Aveva are good examples of this.

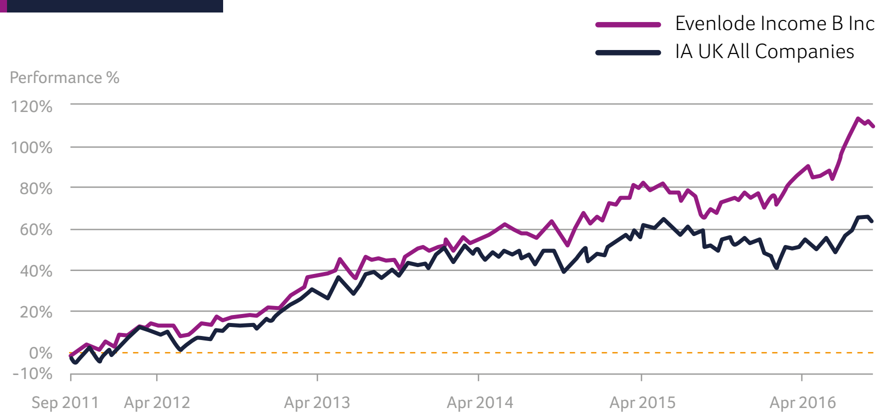
However, as with any fund not all the share prices of companies move in the same direction all of the time. GlaxoSmithKline, for example, has been hit by re-structuring costs and in the engineering sector, Smiths Group has been troubled by the exposure to the oil and gas industry. Hugh does make the point though that these companies do provide essential products and that cash flow has been resilient despite difficult trading conditions and he will continue to hold them in the fund for the foreseeable future.

In summary, this fund may be appealing to investors because it:

- Invests in high quality dividend paying stocks
- Many of the companies held in the fund generate overseas earnings
- Has a strong performance track record

It should be noted though that although the income generated by the fund's investments is consistent it is not guaranteed.

PERFORMANCE



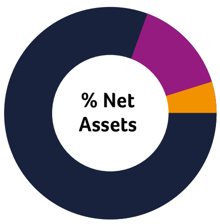
16/09/2011 - 15/09/2016 Source: FE Analytics

Discrete Annual Performance as at 30/06/2016

	0-12m	12-24m	24-36m	36-48m	48-60m
Evenlode Income B Inc	+12.3	+8.3	+13.8	+25.8	+4.7
IA UK All Companies	-4.1	+7.0	+14.0	+22.3	-4.6

ASSET ALLOCATION

UK Equities	**80.9%**
International Equities	**14.6%**
Cash & Equivalent	**4.6%**



Source: T B Wise Funds as at 31/07/2016.

FUND FACTS

Fund Size	**£934m**
Fund Type	**OEIC**
Classification	**Income**
Launch Date	**1/10/2009**
Yield	**3.4%**
Ongoing Charges Figures*	**0.95%**
Initial Charge	**0%**
Annual Management Charge	**0.95%**
Dividend Dates	**31/07/2017 30/04/2017 31/01/2017 30/10/2016**

*The ongoing charges figure will include the cost of investment management and administration, plus other costs of running the fund, such as fees for custodians (organisations that hold the assets safely for the investment managers), regulators and auditors. It will not include stamp duty, which is payable when buying shares in investment trusts, nor any performance fees. However, these fees will be published separately on the Key Investor Information Document.

Helpful Hint

If you are searching for this fund to buy online via your Cofunds account the Fund Manager name is **Wise Investments** and not Evenlode.

Infrastructure

invest in assets the world relies on and receive an income!

Around the world, every day, billions of people rely on infrastructure to live and do business. From airports we travel through, to motorways we drive on, to the water we drink – infrastructure assets are the backbone of any growing or thriving economy.

What is infrastructure?

The infrastructure sector covers a wide range of asset types including:-

- Toll Roads
- Rail
- Airports
- Ports
- Water and waste utilities
- Electric and gas utilities
- Energy pipelines and storage
- Mobile towers and satellites

Why invest in infrastructure?

Infrastructure is considered to be a unique investment class, appealing to a broad range of investors, with the following features:-

- Opportunities for growth and income
- Potential to generate an attractive yield
- Predictable cash flows

Cash flow and income generated by infrastructure assets are relatively stable. Whatever happens with world stock markets and economies, the demand for water or electricity for example is stable during boom or bust. This is why earnings from infrastructure businesses weathered the 2008/09 global economic downturn better than the wider market. Similarly, the nature of infrastructure services (i.e. they tend to be very high value projects) mean infrastructure businesses tend to have a monopoly over supply.

Infrastructure assets can also counter the effects of inflation. Regulated assets such as electricity companies or toll roads, for example, typically have their revenues linked to inflation.

Over 1 trillion cubic metres of water rely on infrastructure

Diversification – "that word again!"

One of the key benefits of investing in infrastructure is that it is a natural diversifier. Many income generating funds will invest in broadly similar shares simply because the choice is limited. Infrastructure funds have a global outlook by definition with opportunities in the sector being driven by a number of factors:-

- **Globalisation** - airports, railways and ports benefit from strong growth from international trade.
- **Urban Congestion** - globally, governments have failed to keep road growth in line with the increased amount of vehicles in circulation resulting in urban congestion - those who have experienced the M25 at any stage will testify to that! Toll roads and railways have benefited from this lack of government planning and investment.
- **Government underinvestment** - Developed nations have reduced spending on infrastructure as a proportion of GDP over the past 40 years.
- **Changing economic environment** - Developed nations are increasingly looking to the private sector for financing infrastructure. They face rising health and welfare costs as *baby boomers* move into retirement, reducing their ability to spend on infrastructure.
- **Energy security concerns** – Altering supply and demand patterns in the global energy market and an increasing focus on energy security is creating investment opportunities in oil and gas pipelines and storage.

How can I invest infrastructure?

This is clearly a highly specialised area requiring specialist knowledge. One fund that we favour in the sector is the First State Global Listed Infrastructure Fund. Managed by a team of experienced infrastructure specialists, who have an in-depth understanding of infrastructure assets and the investment opportunities they offer, the fund has a strong track record. While we would caution that a rising interest rate environment would likely provide a considerable headwind for many of the highly-prized and resilient dividend payers in the sector, we believe this specialist area could help diversify a portfolio and contribute towards a rising income over time.

Fund Focus

First State Global Listed Infrastructure

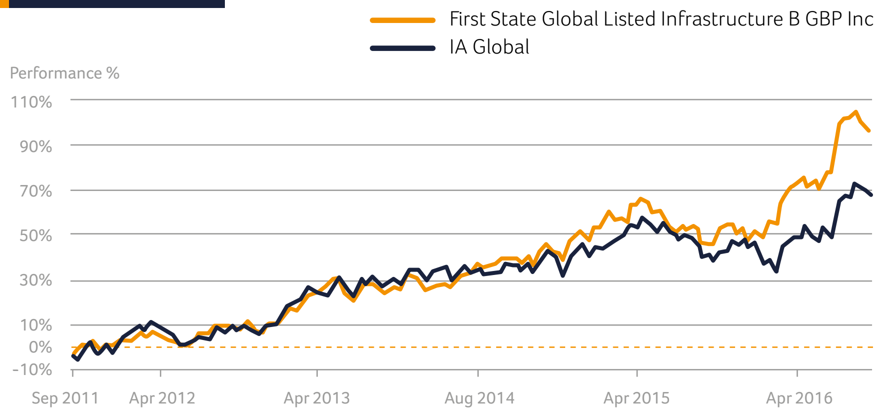
Half-Yearly Income of 2.87% (variable as at 15th September 2016)

The lead manager behind the fund is Peter Meany who has over a decade's experience as an infrastructure and utilities analyst. He focuses on buying shares or companies that own or operate high-quality infrastructure assets. In particular he looks for firms that have control over their pricing – a factor that helps to increase profits and dividends in line with, or above, inflation. Companies that have limited competition, for example ports, are also a priority.

2015 was a tough year for the fund, performance wise, but returns have picked up strongly during 2016. The key to this change is the expectation that interest rates will remain lower for longer. Higher rates would make the typically stable level of income from infrastructure companies seem less appealing to investors and it could increase costs for companies that need to borrow money to build expensive assets. For much of 2015 it was generally anticipated that the US Federal Reserve would instigate a series of interest rate hikes. As the months passed however, with economic data remaining mixed, this threat has receded providing a lift for the sector in 2016.

The fund operates a concentrated portfolio of 40 stocks which means that each holding has a greater impact on returns and can increase risk. However, we believe that the current variable yield of 2.87% (as at 15/09/2016) should hopefully continue to grow over the long term, accompanied by some modest capital growth.

PERFORMANCE



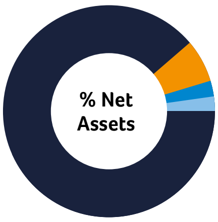
16/09/2011 - 15/09/2016 Source: FE Analytics

Discrete Annual Performance as at 30/06/2016

	0-12m	12-24m	24-36m	36-48m	48-60m
First State Global Listed Infrastructure B GBP Inc	+28.7	+7.2	+12.1	+16.8	+0.0
IA Global	+6.7	+8.4	+9.0	+21.4	-7.5

ASSET ALLOCATION

International Equities	88.7%
UK Equities	6.5%
Other	2.4%
Cash & Equivalent	2.4%



FUND FACTS

Fund Size	**£1643m**
Fund Type	**OEIC**
Classification	**Income**
Launch Date	**8/10/2007**
Yield	**2.87%**
Ongoing Charges Figures*	**0.82%**
Initial Charge	**0%**
Annual Management Charge	**0.75%**
Dividend Dates	**31/03/2017 30/09/2016**

*The ongoing charges figure will include the cost of investment management and administration, plus other costs of running the fund, such as fees for custodians (organisations that hold the assets safely for the investment managers), regulators and auditors. It will not include stamp duty, which is payable when buying shares in investment trusts, nor any performance fees. However, these fees will be published separately on the Key Investor Information Document.

Neil Woodford

When we put a Newsletter together we try to ensure headlines are eye-catching to encourage you to read on and hopefully to invest in one of the highlighted funds! We thought about this particular article for a while but were struggling to put together a suitably enticing headline – after all how do you summarise someone like *Neil Woodford?*

If you have invested at all over the last 30 years it is likely that Neil's name will have appeared on your radar at some point – perhaps you were one of the early investors who have benefited from investment expertise during his time at Invesco Perpetual or were attracted to his investment funds due to their consistent outperformance when compared to other funds in their sector. However, for those investors that are unfamiliar here is a brief summary of his career to date.

- **Born** - March 1960
- **1981** - Graduated in Economics and Agricultural Economics at Exeter University
- **1987** - Appointed Fund Manager at Eagle Star
- **1988 to 2014** - Fund Manager at Invesco Perpetual. Responsible for the Invesco Perpetual Income and High Income Funds managing over £20bn of assets
- **2013** - Awarded CBE for services to the economy
- **2014** - Left Invesco Perpetual to set up his own company, Woodford Investment Management. Launched the Woodford Equity Income Fund in June 2014
- **2015** - Launched the Woodford Patient Capital Trust which was the largest ever Investment Trust launch in the UK.

Neil's career has been littered with investment decisions that at the time were considered unwise but proved to be very astute moves. For example he famously shunned the Dot-Com boom of the late 1990's and refused to invest in the banks during the 2000's when many of his peers were active in that sector. As a result of those decisions his funds were sheltered from the worst of the market collapses that followed although obviously not immune! Making these 'big calls' and more importantly getting them right has instilled tremendous loyalty amongst investors of his funds.

Sticking to his principles

Establishing Woodford Investment Management has not changed Neil's investment philosophy or processes and he follows the same principles today as he did 25 years ago. At times the fund will react very differently to the overall market because of its make-up and the team are happy to go against consensus to ensure they deliver long-term returns. They also make it clear that they will only invest in a company for which there is a compelling long-term opportunity not just to make the fund look more like the index. The top ten holdings at the time of writing (September 2016) for example are very different from other funds that are listed in the same sector.

Top 10 holdings of the Equity Income Fund

(as at 15.09.2016)

Name of Security	Allocation %
Astrazeneca PLC	8.89%
GlaxoSmithKline	8.07%
Imperial Brands PLC	7.63%
British American Tobacco	6.00%
Provident Financial	4.51%
Legal & General Group	4.45%
Abbvie Inc	3.42%
Prothena Corp PLC	3.10%
Capita PLC	2.94%
Benevolent AI (Unquoted)	2.30%

Neil's Passion

From the list of top ten holdings one company in particular illustrates Neil's investment philosophy - **Benevolent AI**. This company is using artificial intelligence to change the way knowledge is created, connected and applied - take a look at their website as it's fascinating.

Neil has always been a great believer in innovators and entrepreneurs, and the investment opportunities they present. However, during his time at Invesco Perpetual he was not always able to take advantage of these due to the investment restrictions placed on the fund. Establishing his own company has allowed Neil to structure the fund's investment protocols in such a way that he can fully commit to these investment opportunities as they become available. When Neil invests in a company such as Benevolent AI, it is because he believes in the company, sharing the same vision as its board and what they are attempting to achieve. These are often long-term investments which should benefit the fund in the years ahead although obviously they are considered higher risk because they are early stage companies.

Fund Focus

CF Woodford Equity Income Fund – Quarterly income of 3.44% per annum (variable as at 15/09/2016)

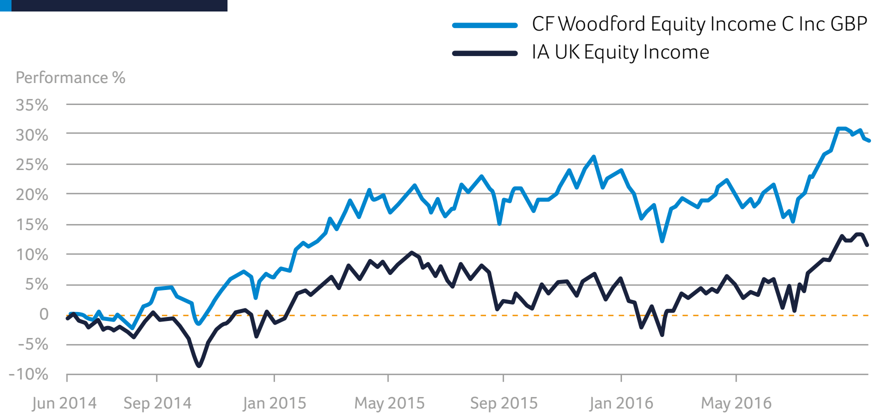
The fund has been established for a little over 2 years now during which time it has grown to over £9bn. This rapid growth is purely due to the reputation of Neil Woodford, and the confidence that investors have in his investment strategy. Although investing in mainly UK companies, he selects those with a global outlook – in other words where earnings are also generated from overseas. He does this because he remains cautious about the outlook for the UK economy and Europe and concerned about lower global growth in the future.

In a recent article published before the BREXIT vote he said:
From a portfolio strategy perspective, I continue to believe that there are many more significant challenges facing the UK economy in the long term than Brexit and it is these issues (and others) which have framed our portfolio selections in the fund. That is why the portfolio strategy will not change on a 'remain' or 'leave' vote.

Investors will find very little deviation in Neil's investment strategy and the companies he and his team invest in. The fund is a natural diversifier for those investors that hold other Equity Income Funds and are seeking alternatives.

Since launch the fund has returned over 30% which is in line with Neil's stated annual objective of high single digit returns. With a current yield of 3.44% (variable) the fund remains attractive to income seeking investors in our current low interest rate environment.

PERFORMANCE



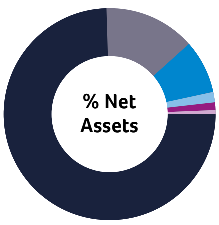
02/06/2014 - 15/09/2016 Source: FE Analytics

Discrete Annual Performance as at 30/06/2016

	0-12m	12-24m	24-36m	36-48m	48-60m
CF Woodford Equity Income C Inc GBP	+7.5	+15.2	n/a	n/a	n/a
IA UK Equity Income	+7.6	+4.7	+6.4	+21.6	+15.8

ASSET ALLOCATION

UK Equities	74.69%
International Equities	13.77%
Other	8.07%
Property	1.59%
Investment Trusts	1.16%
Cash and Equiv.	0.71%



Source: Funds Library as at 15.09.2016.

FUND FACTS

Fund Size	£9457.6m
Fund Type	OEIC
Classification	Income
Launch Date	02/06/2014
Yield	3.44%
Ongoing Charges Figures*	0.75%
Initial Charge	0%
Annual Management Charge	0.75%
Dividend Dates	31/08/2017 31/05/2017 28/02/2017 30/11/2016

*The ongoing charges figure will include the cost of investment management and administration, plus other costs of running the fund, such as fees for custodians (organisations that hold the assets safely for the investment managers), regulators and auditors. It will not include stamp duty, which is payable when buying shares in investment trusts, nor any performance fees. However, these fees will be published separately on the Key Investor Information Document.


Humber Bridge,
Kingston-upon-Hull,
East Yorkshire.

How to invest

1. **Identify the fund(s)** you wish to invest into – feel free to call us to discuss these funds in more detail.
2. **Complete the ISA and/or the ISA Transfer application form** enclosed and return them to us in the pre-paid envelope provided. Alternatively, logon to your account online or call us with your debit card details. If you want to invest monthly please also complete the Direct Debit Mandate attached to the ISA application form.
3. Should you wish to invest outside of an ISA please either contact us for an application form or download one from our website at **www.csinvestmentchoices.co.uk**. You will find them in the *Important Documents* section under the I*nvesting with us* tab on the menu bar at the top of the screen.

Get in touch

If you would like to discuss the investments described in this newsletter, or need help completing the application forms, please get in touch - we're here to help!

01482 861455

5/7 Landress Lane, Beverley, East Yorkshire, HU17 8HA

info@csinvestmentchoices.co.uk

www.csinvestmentchoices.co.uk

Important Information

This document is a marketing communication. The information does not constitute advice or a personal recommendation or take into account the particular investment objectives, financial situations or needs of individual investors. If you are unsure as to whether an investment or a pension is suitable for you, please seek professional financial advice.

Investors should also be aware that past performance is not a reliable indicator of future results and that the value of investments and the income from them may fall as well as rise. The capital invested is therefore at risk and the amount realised may be less than the original sum invested. Investments should be considered for the medium/long term (5 years or longer).

Before you invest and for your own protection, please ensure you have read carefully the documents enclosed with this publication (the Cofunds application and other documents).

It is recommended that you also review the available product literature. On receipt of your application, where relevant, a Key Investors Information Document (KIID) will be sent to you (if you have a valid email address it will be emailed), containing further specific information on each of the funds in which you wish to invest. If you are investing online, the Funds Key Features/KIID will be available at the point of purchase.

For funds that invest overseas, exchange rate variations may cause the value of your investments to rise or fall. Investments in certain funds, including emerging markets, specialist geographical areas, smaller companies and specialist sectors (such as technology and ethical stocks) tend to be more volatile. Where a fund's objective is to provide income and the income is paid out, there can be a reduced potential for capital growth, especially over the medium to long term. The level of income payments can vary and where a bond fund's running yield is greater than the redemption yield, this may erode capital.

Some funds invest in higher risk fixed interest securities, known as sub-investment grade bonds. These bonds have a low credit rating and higher risk of default than investment grade bonds. This means that there is an increased risk that the value of your investment could fall. The tax treatment of investments and pensions depends on individual circumstances and may be subject to change in the future. Fund switches outside of an ISA wrapper constitute a realisation for capital gains tax purposes.

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