



EVENLODE
INVESTMENTS FOR LIFE

Evenlode Income

Interim Short Report

For the six month period ended 31 August 2016

EVENLODE INCOME

INVESTMENT OBJECTIVE & POLICY

The investment objective of Evenlode Income is to produce attractive long-term total returns, with an emphasis on income.

The fund will invest predominantly in the equity securities of companies listed in the United Kingdom, with the balance invested in the equity securities of companies listed internationally and cash (or near cash securities). The fund may also invest in fixed income securities, collective investment schemes and derivatives for the purpose of efficient portfolio management from time to time. The fund manager aims to invest in a focused portfolio of shares offering a combination of high and growing cash-flows (to deliver both capital growth and dividend growth for the fund) and low business risk. The manager will undertake fundamental analysis to identify shares in companies that offer this combination.

FUND FACTS

Launch date: 19 October 2009

Ex-distribution dates: 1 June, 1 September, 1 December, 1 March

Distribution payment dates: 31 July, 31 October, 31 January, 30 April

Synthetic Risk and Reward Indicator Ranking¹: 5

Ongoing Charges Figures²:

C Shares - 0.85% p.a.

B Shares - 0.95% p.a.

A Shares - 1.45% p.a.

¹ As calculated in accordance with ESMA guidelines. It is based on historical data and uses a scale of 1 to 7. The higher the rank the greater the potential reward but the greater the risk of losing money.

² To 31 August 2016. As calculated in accordance with ESMA guidelines. The Ongoing Charge Figure ("OCF") includes annual management charges ("AMCs") and other operating expenses (Depositary's fee, audit fee etc).

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INVESTMENT REVIEW

Performance	Cumulative returns for the periods ended 31 August 2016 (%)				
	6 months	1 year	3 years	5 years	From launch ²
Evenlode Income - B Shares ¹	17.08	25.57	47.53	113.45	149.72
Evenlode Income - A Shares ¹	16.77	24.92	45.38	108.21	141.34
IA UK All Companies	10.76	8.85	21.19	66.83	79.92

¹Performance based on income shares.

²From 19 October 2009.

Source: Financial Express. Total return, bid to bid. Sterling terms.

Past performance is not a reliable indicator of future results. Investors are reminded that the price of shares and the revenue derived from them is not guaranteed and may go down as well as up.

During the six months under review (1 March 2016 to 31 August 2016) global stock markets rose, though it was a volatile period. Growth, inflation and interest rates remained low and geopolitical uncertainty remained high. Sentiment towards commodities and emerging markets recovered somewhat, whilst global currencies bounced around. It was a particularly volatile period for the UK market, with the referendum dominating newswires. In the aftermath of the vote, sterling fell by more than -10% against most major currencies.

In the context of this mixed backdrop, dividends and dividend growth from the portfolio have remained reassuringly solid. The fund's first and second quarter dividends have been increased to 1.45p (B Income shares), a year-on-year increase of +3.6%. The overall environment for dividends remains tough given low rates of economic growth and inflation, but we continue to believe that moderate, sustainable dividend growth is attainable for the high quality businesses on which Evenlode is focused.

In terms of total return (i.e. the combined return from dividends and capital performance), Evenlode rose +17.1% (B Income shares) over the six months compared to a rise of +10.8% for the IA UK All Companies sector (since launch in October 2009 Evenlode has risen +149.7% compared to +79.9% for the IA UK All Companies sector).

Currency trends were helpful for Evenlode during the period. Though more than 80% of the Evenlode portfolio is comprised of companies listed on the UK market, most are globally diversified businesses, with only about 20% of the underlying portfolio's cash flow generated from the UK economy. The pound's recent weakness provides a welcome tailwind for the global cash flows of these companies, particularly in the context of the last few years during which the pound had been quite strong against most global currencies.

Unilever (consumer goods), Diageo (alcoholic beverages) and Sage (software) were the strongest contributors to Evenlode's performance during the period, helped both by this currency tailwind and reassuring fundamental progress. Evenlode's only negative contributor of note was Halfords (UK retail), whose shares fell due to post-Brexit uncertainty.

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Portfolio Changes

Portfolio changes were limited during the period under review. We topped up several smaller positions in the fund where share prices were impacted by the initial referendum sell-off (Fidessa, Spectris, Jardine Lloyd Thomson, WS Atkins, Paypoint, Aveva, Halfords, DMGT etc.). We have also initiated a new holding in recruitment company Page Group after shares fell sharply due to Brexit-related uncertainties. Though Page is not a repeat-purchase business (a fact we take into account in terms of both position sizing and overall portfolio construction) it has several 'Evenlode' characteristics we value highly:

- 1) A global market-leader with good long-term growth potential (thanks to structural growth in outsourced recruitment, a sector which has low levels of penetration in many parts of the world - from Germany to Latin America).
- 2) An asset-light business model, with profits routinely converted to free cash flow in good times and bad.
- 3) A conservative management team that runs the business to perform well through the full industry cycle (Page never runs with a net debt position and currently has more than £70m of cash on the balance sheet).
- 4) Its focus is on organic investment. A consistent through-cycle approach to investment has enabled Page to take market share in more difficult times.
- 5) It has delivered a healthy, progressive dividend stream to investors and intends to continue to through good times and bad. Dividends are very well covered by free cash flow.
- 6) It has a record of returning excess cash to shareholders, most recently via a special dividend in 2015.

As a result of the above, we think Page presents a good opportunity for the long-term income investor, notwithstanding the referendum-related headwinds it will face over coming months. We initiated the position on a starting dividend yield of approximately 4.5%.

Outlook

The overall investment backdrop remains very mixed. Geopolitical uncertainty is high (Syria, ISIS, terrorist attacks, the refugee crisis etc.) and there has been a shift towards political populism in many parts of the world. The US presidential election this autumn is providing some uncertainty, as will key national elections in Europe in 2017. Meanwhile, the world remains stuck in a post 2008 rut of anaemic growth, high levels of indebtedness and deflationary pressures.

These conditions, and central bank reactions to them, are producing strange effects in the world of interest rates and bonds. Interest rates remain negative in some big parts of the global economy (the Eurozone, Japan, Sweden, Switzerland etc.), and during the six month period the German 10 year government bond yield turned negative for the first time in its history.

Companies too are seeing their cost of debt hit record lows. Several corporate bonds now trade at negative yields, and over the last six months several blue chip companies (Sanofi, Henkel, Toyota, Unilever etc.) have been able to issue borrowings priced close to or below a 0% coupon.

'Free' money might on the face of it seem like a good thing, but in my view the current preponderance of cheap debt presents a risk to the long-term investor, particularly in a deflationary world where growth is quite scarce. It makes expensive acquisitions and share buy-backs look more attractive than they would otherwise.

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The Value of Self-Funded Growth

We are conscious of the temptations of debt in the current environment, and have worked hard to 'lean against the wind' on this front. Of the eight positions we have added to the fund over the last year or so, seven have a net cash position on the balance sheet. This helps me sleep at night!

More generally, in the end, it all comes back to cash for us. We prefer businesses that tend to end up with more cash each year than they started with, even after fully investing in their futures. These businesses are self-funding their own growth. When you find a business like this, and a management team that understands the long-term power of this model (and the lowered risk profile), it can be a very enjoyable experience. Self-funding companies should also be well placed to avoid the siren call of cheap financing at times like the present.

Back To Basics

Whilst on the subject of low interest rates, it would be remiss not to mention that low rates have also contributed to an environment in which equity valuations are less attractive than when we launched Evenlode in 2009. We are very conscious of this, but remain reassured that the portfolio, based on our estimates, continues to offer attractive absolute cash-flow returns. More generally, we think our best response to the currently challenging outlook is to stick to our guiding principle: market leading businesses with reliable, attractive dividends and healthy balance sheets tend to be a good home for the long-term investor.

Once again, I would like to finish by thanking our co-investors for their on-going support and trust. We continue to work hard on researching new opportunities and look forward to updating you over coming months on the Evenlode fund.



Hugh Yarrow
Fund Manager
Wise Investments Limited
19 October 2016

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TOP TEN HOLDINGS

Top Ten Holdings as at 31 August 2016	(%)	Top Ten Holdings as at 29 February 2016	(%)
Diageo	6.5	Unilever	7.2
Unilever	6.2	Diageo	7.0
Sage	4.7	GlaxoSmithKline	5.1
Microsoft	4.6	Sage	4.7
AstraZeneca	4.5	Procter & Gamble	4.3
GlaxoSmithKline	4.2	Johnson & Johnson	4.2
Johnson & Johnson	4.0	Microsoft	4.2
Procter & Gamble	3.6	AstraZeneca	4.1
Smiths	3.3	Compass Group	3.7
Compass Group	2.9	Imperial Brands	3.6

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PERFORMANCE

B Income Shares	1 Mar 2016 to 31 Aug 2016 (pence per share)	1 Mar 2015 to 29 Feb 2016 (pence per share)	1 Mar 2014 to 28 Feb 2015 (pence per share)	1 Mar 2013 to 28 Feb 2014 (pence per share)
Change in net assets per share				
Opening net asset value per share	166.64	170.42	155.78	138.19
Return before operating charges*	28.66	4.19	22.42	24.82
Operating charges	(0.85)	(1.55)	(1.51)	(1.66)
Return after operating charges*	27.81	(2.64)	20.91	23.16
Distributions on income shares	(2.90)	(6.42)	(6.27)	(5.57)
Closing net asset value per share	191.55	166.64	170.42	155.78
*after direct transaction costs of:	0.70	0.55	1.21	0.57
Performance				
Return after charges	16.69%	1.55%	13.42%	16.76%
Other Information				
Closing net asset value	£85,625,499	£54,921,690	£230,663,365	£27,172,843
Closing number of shares	44,701,456	32,957,388	135,346,122	17,443,347
Operating charges (p.a.)	0.95%	0.95%	0.95%	1.12%
Direct transaction costs (p.a.)	0.79%	0.32%	0.76%	0.38%
Prices				
Highest published share price	197.58	177.03	172.43	158.50
Lowest published share price	167.29	155.72	147.86	138.25

Past performance is not a reliable indicator of future results. Investors are reminded that the price of shares and the revenue derived from them is not guaranteed and may go down as well as up.

EVENLODE INCOME

B Accumulation Shares	1 Mar 2016 to 31 Aug 2016 (pence per share)	1 Mar 2015 to 29 Feb 2016 (pence per share)	1 Mar 2014 to 28 Feb 2015 (pence per share)	1 Mar 2013 to 28 Feb 2014 (pence per share)
Change in net assets per share				
Opening net asset value per share	212.69	209.33	184.21	157.54
Return before operating charges*	36.78	5.31	26.96	28.59
Operating charges	(1.11)	(1.95)	(1.84)	(1.92)
Return after operating charges*	35.67	3.36	25.12	26.67
Closing net asset value per share	248.36	212.69	209.33	184.21
Retained distributions on accumulation shares	3.71	7.98	7.50	6.43
*after direct transaction costs of:	0.91	0.67	1.46	0.66
Performance				
Return after charges	16.77%	1.61%	13.64%	16.93%
Other Information				
Closing net asset value	£90,684,234	£34,579,061	£46,482,840	£17,083,663
Closing number of shares	36,513,177	16,257,955	22,205,834	9,273,874
Operating charges (p.a.)	0.95%	0.95%	0.95%	1.12%
Direct transaction costs (p.a.)	0.79%	0.32%	0.76%	0.38%
Prices				
Highest published share price	254.26	217.44	208.98	184.98
Lowest published share price	214.45	192.80	177.76	157.61

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EVENLODE INCOME

A Income Shares	1 Mar 2016 to 31 Aug 2016 (pence per share)	1 Mar 2015 to 29 Feb 2016 (pence per share)	1 Mar 2014 to 28 Feb 2015 (pence per share)	1 Mar 2013 to 28 Feb 2014 (pence per share)
Change in net assets per share				
Opening net asset value per share	161.50	165.98	152.43	135.92
Return before operating charges*	27.72	4.08	21.89	24.34
Operating charges	(1.26)	(2.32)	(2.21)	(2.36)
Return after operating charges*	26.46	1.76	19.68	21.98
Distributions on income shares	(2.80)	(6.24)	(6.13)	(5.47)
Closing net asset value per share	185.16	161.50	165.98	152.43
*after direct transaction costs of:	0.68	1.18	1.18	0.56
Performance				
Return after charges	16.38%	1.06%	12.91%	16.17%
Other Information				
Closing net asset value	£1,329,819	£823,584	£570,917	£538,210
Closing number of shares	718,209	509,973	343,964	353,089
Operating charges (p.a.)	1.45%	1.45%	1.45%	1.62%
Direct transaction costs (p.a.)	0.79%	0.32%	0.76%	0.38%
Prices				
Highest published share price	191.00	172.36	167.93	155.10
Lowest published share price	161.89	151.30	144.25	135.98

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EVENLODE INCOME

A Accumulation Shares	1 Mar 2016 to 31 Aug 2016 (pence per share)	1 Mar 2015 to 29 Feb 2016 (pence per share)	1 Mar 2014 to 28 Feb 2015 (pence per share)	1 Mar 2013 to 28 Feb 2014 (pence per share)
Change in net assets per share				
Opening net asset value per share	206.21	203.95	180.30	154.98
Return before operating charges*	35.59	5.15	26.28	28.04
Operating charges	(1.62)	(2.89)	(2.63)	(2.72)
Return after operating charges*	33.97	2.26	23.65	25.32
Closing net asset value per share	240.18	206.21	203.95	180.30
Retained distributions on accumulation shares	3.59	7.75	7.33	6.31
*after direct transaction costs of:	0.87	0.65	1.41	0.64
Performance				
Return after charges	16.47%	1.11%	13.12%	16.34%
Other Information				
Closing net asset value	£1,923,639	£1,427,750	£1,393,195	£1,524,720
Closing number of shares	800,914	692,375	683,100	845,645
Operating charges (p.a.)	1.45%	1.45%	1.45%	1.62%
Direct transaction costs (p.a.)	0.79%	0.32%	0.76%	0.38%
Prices				
Highest published share price	245.95	211.79	203.61	181.07
Lowest published share price	207.90	187.41	173.48	155.05

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C Income Shares	1 Mar 2016 to 31 Aug 2016 (pence per share)	30 Apr 2015 to* 29 Feb 2016 (pence per share)
Change in net assets per share		
Opening net asset value per share	166.78	171.06
Return before operating charges*	28.69	3.33
Operating charges	(0.77)	(1.19)
Return after operating charges*	27.92	2.14
Distributions on income shares	(2.90)	(6.42)
Closing net asset value per share	191.80	166.78
*after direct transaction costs of:	0.71	0.45
Performance		
Return after charges	16.74%	1.25%
Other Information		
Closing net asset value	£783,611,836	£248,775,437
Closing number of shares	408,553,309	149,165,443
Operating charges (p.a.)	0.85%	0.85%
Direct transaction costs (p.a.)	0.79%	0.32%
Prices		
Highest published share price	197.83	176.80
Lowest published share price	167.46	155.76

* The C Income shares were launched on 30 April 2015.

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EVENLODE INCOME

C Accumulation Shares	1 Mar 2016 to 31 Aug 2016 (pence per share)	30 Apr 2015 to* 29 Feb 2016 (pence per share)
Change in net assets per share		
Opening net asset value per share	212.86	210.10
Return before operating charges*	36.80	4.24
Operating charges	(0.98)	(1.48)
Return after operating charges*	35.82	2.76
Closing net asset value per share	248.68	212.86
Retained distributions on accumulation shares	3.72	7.98
*after direct transaction costs of:	0.91	0.56
Performance		
Return after charges	16.83%	1.31%
Other Information		
Closing net asset value	£55,411,965	£30,355,022
Closing number of shares	22,282,187	14,260,384
Operating charges (p.a.)	0.85%	0.85%
Direct transaction costs (p.a.)	0.79%	0.32%
Prices		
Highest published share price	254.57	217.15
Lowest published share price	214.63	192.85

* The C Accumulation shares were launched on 30 April 2015.

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Dividend distributions for the six month period ended 31 August 2016

Share Class	Period Ended	
	31 May 2016 (pence per share)	31 August 2016 (pence per share)
B Income	1.4500	1.4500
A Income	1.4431	1.3578
C Income	1.4509	1.4515
B Accumulation	1.8502	1.8626
A Accumulation	1.8418	1.7529
C Accumulation	1.8518	1.8650

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RISK PROFILE

The value of investments may go down as well as up in response to general market conditions and the performance of the assets held. Investors may not get back the money which they invested.

There is no guarantee that the Fund will meet its stated objectives.

A limited number of investments may be held which has the potential to increase the volatility of performance.

The movements of exchange rates may lead to further changes in the value of investments and the income from them.

There is a risk that any company providing services such as safe keeping of assets or acting as counterparty to derivatives may become insolvent, which may cause losses to the Fund.

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OTHER INFORMATION

The Company

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Authorised and regulated by the Financial Conduct Authority.

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Authorised and regulated by the Financial Conduct Authority.

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Authorised and regulated by the Financial Conduct Authority and by the Prudential Regulation Authority.

Auditors

Deloitte LLP
4 Brindleyplace
Birmingham B1 2HZ

Registered to carry out audit work by the Institute of Chartered Accountants in England and Wales.

Further information regarding the activities and performance of the Fund for this period and previous periods is available on request from the ACD as are copies of the Interim and Annual Report and Financial Statements.



TBFS

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