

LIBERO BALANCED FUND

FACTSHEET – OCTOBER 2013

quiltercheviot.com

Registered in England Number 01923571. Registered Office: St Helen's, 1 Undershaft, London, EC3A 8BB



QUILTER CHEVIOT

FUND AIM

The Balanced Fund aims to produce a balance between income and capital growth through a balanced investment strategy by investing in a well diversified spread of equities, bonds, and collective funds from each asset class and/or geographical sector. We have an active approach to stock-picking in UK and overseas markets. Where we feel that it would be more appropriate to access a particular asset class or geographical region through a collective fund, 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.

INVESTMENT PROCESS

Quilter 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. To select our holdings we use a combination of quantitative analysis, in-house fundamental research and company visits. When selecting collective funds 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

The Federal Reserve's decision to delay tapering came as a surprise to markets, although the surprise might have been why a consensus had been allowed to form in the first place since the Fed had always said that timing will depend on the data (which recently has been soft). The upshot was that US equity markets zoomed to an all-time high and bond yields pushed lower, before some profit-taking towards the end of the month. With the US budget debate now raging, the likelihood is that tapering will not happen for another three or four months at the earliest.

In the UK, the economy has shown an improving trend in recent months with a number of indicators surprising on the upside. Manufacturing PMIs, employment trends, housing market data and consumer confidence are all recovering. Q2 GDP was confirmed at 0.7% with Q1 revised up to 0.4%. There is increasing optimism that Q3 GDP will show an acceleration from here.

We sold the holding in the Melchior European Absolute Return Fund during the month. Whilst Melchior has been a consistent protector of capital in months when markets have fallen, we feel that the fund manager has taken an overly cautious approach in the use of leverage in his book and the overall investment strategy. Meanwhile in months when markets rise, Melchior is likely to deliver only very modest returns. We also took advantage of an opportunity, through a new capital raising, to add to our position in the CG Real Return Fund which has been closed to new investment for a number of years.

FUND DATA

as at 30 September 2013

Launch Date (following an initial offer period)	31 March 2011
Launch Price	100.00p
Current Price (Retail – Acc) A (Clean – Acc)* B	115.18p 116.61p
Fund Structure	OEIC/UCITS III
ISAs/SIPPs/SASSs	Eligible
Fund Size	£18,409,001
Base Currency	GBP
Benchmark	FT APCIMS Balanced
Initial Fee	5.00% (Retail) A 0.00% (Clean)* B
Minimum Investment/ Regular Savings	£1,000/£100 (Retail) A £1,000/£100 (Clean)* B
Ongoing Charges The ongoing charges figure includes the Annual Management Charge	2.03% (Retail) A 1.53% (Clean)* B
Ex-Dividend Dates	1 January & 1 July
Dividend Pay Dates	30 April & 31 August
Historic Distribution Yield up to 30/09/2013 A share class B share class	1.95% 2.24%
Dealing/Pricing	Daily at 12.00pm
Sedol No's Retail (Acc/Inc) A Clean (Acc/Inc)* B	B5MF096 / B5TK447 B4S5LTO / B4PR843

Cumulative performance (%) to 30 September 2013	3m	YTD	1Y	2Y	Since Launch**
Libero Balanced Fund – A Accumulation	3.33	11.78	13.80	26.74	15.18
Quartile Ranking***	2	2	2	2	2
Discrete year performance (%) to 30 September 2013	2013	2012	2011	2010	2009
Libero Balanced Fund – A Accumulation	13.80	11.37	–	–	–

** Since launch 31st March 2011 following an initial offer period. Source: Financial Express 30/09/2013

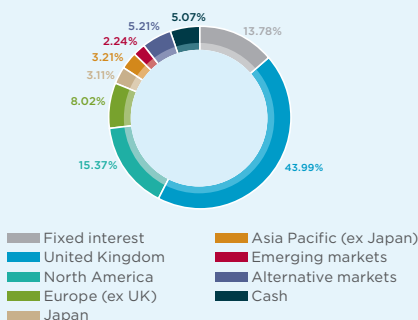
*** Sector is IMA Mixed Investment 40-85% shares

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

TOP 10 HOLDINGS

	%
AXA Framlington American Growth Fund	4.18
Findlay Park American Fund	3.96
Polar Capital North American	3.84
TSY 1.25% 2017 Index Linked Gilt	3.57
Henderson European Special Situations	3.48
JPMorgan American Investment Trust	3.39
Royal Dutch Shell Plc	2.64
Starwood European Real Estate	2.42
BlackRock European Dynamic D	2.31
CG Real Return GBP	2.31
Total Top 10	32.10%

ASSET ALLOCATION



STOCK SPECIFIC COMMENT

CG Real Return Fund

The CG Real Return Fund, around £700m in size, aims to achieve long-term capital appreciation and income growth by investing in overseas (non-UK) index-linked government bonds. Index-linked bonds provide some protection against inflation and will often show a negative correlation to equities, thus providing a good counterweight to stock market volatility. The base currency of the fund is sterling but, because the fund does not hedge currency risk, currency returns are expected to account for a significant proportion of the fund's alpha.

Heinz 6.25% 2030 Bonds

Heinz manufactures and markets food products across the world, including its ubiquitous tomato ketchup brand, soups and baked beans. We purchased the bonds following the takeover approach made by Warren Buffet and Brazilian private equity firm, 3G Capital. In our view, trading at around par and with a running yield of over 6%, the bonds were attractively priced risk for what is a leading business in the food industry, which is now in the hands of arguably the world's best investor.

Wolseley

The company is the world's leading distributor of heating and plumbing equipment with a substantial exposure to the US (52% of sales and 62% of profit). This is a play on the nascent recovery in the US housing market. The company has net cash and it is expected that there will be surplus cash of £1.6 billion by 2015, most of which is likely to find its way back to investors. With improvement under way in the US, there is every likelihood that profit numbers could be substantially upgraded from here.

Resolution

Resolution is a UK life insurance consolidator. The company restructures acquired assets, improves the cost base, and extracts synergies from the combined operations. Resolution's history as a quoted company has been dominated by debate over its corporate structure and governance, something which has been a significant issue for investors and one of the reasons the stock has underperformed its peers. The UK business, which is primarily focused on pensions, annuities and protection, is performing well with returns improving and the international business is following emerging wealth patterns to focus more on Asian markets. Cash generation is now the focus and remains strong meaning the dividend will be well covered by capital and has potential to improve in the medium term. Furthermore, management have expressed a desire to return any excess capital to shareholders. The balance sheet is in good shape, retaining a highly rated corporate bond portfolio, and the valuation remains attractive. Having lagged behind the rest of the life assurance sector and with a bumper dividend yield, we believe the shares have considerable upside potential.

References to specific securities are not recommendations to buy or sell those securities.

Discrete Monthly Performance (%) to 30 September 2013

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011	-	-	-	0.86*	-0.80	-0.46	-0.85	-6.26	-1.82	5.79	-3.22	1.96	-5.14
2012	2.86	3.66	-0.70	-0.60	-4.37	1.68	2.15	1.37	0.73	0.32	0.70	0.78	8.82
2013	5.48	1.97	2.17	0.15	2.72	-4.31	4.56	-1.91	0.75	-	-	-	11.78

*Launch Date 31 March 2011 (following an initial offer period). Past performance is not a guide to future performance and future returns are not guaranteed.

Source: Financial Express 30/09/2013

A Accumulation share class performance, inclusive of charges, in GBP with net income reinvested. The performance of other share classes may differ.

- One of the largest independently owned private client investment managers in the UK with in excess of £14.9 billion of assets under management
- Performance driven investment process with track record from 1995
- Our investment managers have an average of 19 years investment experience



William Buckhurst – Fund Manager

William began his career in 2002 at Laing & Cruickshank Investment Management, which was acquired by UBS Wealth Management in 2004. He joined Quilter Cheviot in 2006 where, in addition to managing private client, pension and charity portfolios, he is the co-manager of the Libero Balanced Fund and the Climate Assets Fund and sits on Quilter Cheviot's external fund selection committee.

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Alan McIntosh – Chief Investment Strategist

Alan began his career as a fund manager in 1982 at Scottish Life, followed by Municipal Mutual and BZW Investment Management. He joined Credit Suisse Asset Management in 1994 as UK Market Strategist, before moving in 1999 to Laing & Cruickshank Investment Management, where he ran the Model Portfolios and was Senior Equity Strategist. Alan continued in this role at UBS Wealth Management following their acquisition of Laing & Cruickshank in 2004, and was appointed Executive Director. He joined Cheviot in 2006 as Chief Investment Officer. In December 2012 Cheviot merged with Quilter to form Quilter Cheviot where he became Chief Investment Strategist.

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WAY Fund Managers dealing line
t: 01202 855 856

INVESTMENT PARTNERS

You can also invest in this fund via one of our wide range of Investment Partners



Risk Warning: The value of investments and the income derived from them may fluctuate and you may not receive back the amount originally invested. There are risks involved with this type of investment. Please refer to the Prospectus, Key Investor Information and Supplementary Information documents for further details.

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