

HC KB CAPITAL GROWTH FUND

Market commentary

For the month of September, GBP Sterling rallied considerably versus other major currencies, for example, moving from USD \$1.29 at the start of the month up to \$1.34 by the end. The implied impact on overseas earnings of UK companies combined with the otherwise negative net return to overseas equities when translated back to GBP meant a weak return from the perspective of a GBP investor.

The Fund's UK Equity portfolio was no exception to this, though in some cases for very stock-specific reasons. Cruise line operator Carnival – an otherwise stellar performer this year – declined by c. 11.7% over the month as investors reacted to the string of hurricanes affecting the Southeast US and Caribbean markets, though has since rebounded somewhat. Those sectors that are relatively sensitive to movements in interest rates (e.g., Utilities, Telecommunications and Real Estate) also pulled back, as UK government bond yields jumped higher (e.g., the 10-year Gilt yield rose from 1.03% to 1.36% over the course of the month). Bright spots during the month included Wood Group (+20.2%), which has rallied strongly in line with some recovery in crude oil prices, as well as with company expectations of substantial cost savings from the merger with Amec Foster Wheeler.

As mentioned above, Gilt yields jumped higher during the month, which had a negative impact on bond returns. The Fund's continued bias toward shorter maturity debt and toward corporate and emerging market debt instead of government bonds meant that the impact was fairly muted.

Looking forward, we continue to view equities favourably. While equity market valuations have become somewhat elevated by historical norms, it has happened within the context of a global economy that continues to strengthen. Market momentum remains in place, and investor sentiment is something far less than euphoric – ingredients for further gains ahead.

Top ten holdings

| | % of fund |
|---------------------------------------|-----------|
| Ishares Msci Eur Ex-Uk | 6.5% |
| Ishares Vii Plc S&P 500 | 6.1% |
| Blackrock Lux SA Eur Flex | 6.1% |
| SG Commodity Index 8 Years 09/12/2024 | 4.9% |
| Vanguard S&P 500 UCITs ETF | 4.9% |
| Pimco Global Inv Grade Cred | 3.9% |
| Henderson Global Inv GIA | 3.3% |
| Fil Inv Svcs Uk Instl Emg | 3.2% |
| Tokio-Marine Jpn Eq | 3.0% |
| AXA Emg Short Duration | 3.0% |

Source for all data: Kleinwort Benson. Calculation basis: Sterling, bid to bid, total return. All returns in Sterling unless stated otherwise. Fund returns are actual returns after all fees and expenses are deducted.

Fund details

Benchmark

Morningstar Europe OE GBP Aggressive Allocation

Fund classes available

A Class

Fund size as at 30 September 2017

£81.8 million

Base currency

Sterling

Price listing

FT

Bloomberg ticker

Income units – CFKBCAI LN
Accumulation units – CFKBCAA LN

Domicile

UK

Minimum initial investment – Class A

£100,000

Minimum subsequent investment

£500

Launch date

27 July 1998

Pricing frequency

Daily

Net yield (historic)

1.2%

Structure

FCA Authorised UCITs scheme.
(Fund changed from a Unit Trust to an OEIC on 30 Nov 2009)

Dividend distribution dates

30 June

Wrappers

ISA, SIPP

Investment Manager

Kleinwort Benson Bank Limited

Authorised Corporate Director

Host Capital Limited

Auditor

Grant Thornton

Single year fund performance (5 years ending September)

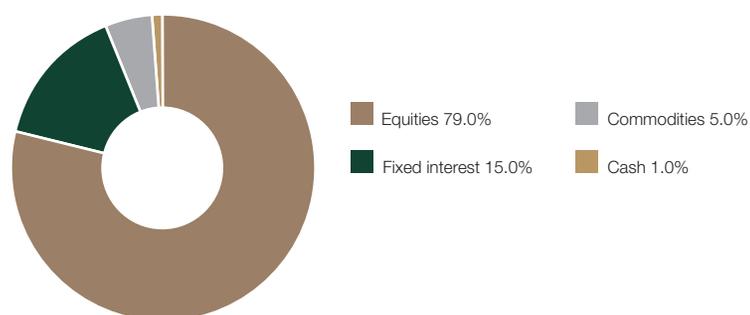
| Sep 12 – Sep 13 | Sep 13 – Sep 14 | Sep 14 – Sep 15 | Sep 15 – Sep 16 | Sep 16 – Sep 17 |
|-----------------|-----------------|-----------------|-----------------|-----------------|
| 10.6% | 2.3% | -2.6% | 17.8% | 6.4% |

Performance table %

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017* |
|---|-------|-------|-------|------|------|------|------|------|------|------|------|-------|
| HC KB Capital Growth Fund | 10.9% | 10.3% | -29.6 | 26.3 | 13.0 | -4.2 | 7.9 | 13.3 | -0.6 | 2.3 | 13.3 | 3.9 |
| Morningstar EAA Fund GBP Moderately Adventurous Allocation | 8.8 | 3.3 | -20.7 | 19.2 | 11.9 | -5.8 | 10.5 | 14.8 | 5.2 | 2.3 | 13.4 | 6.3 |

*Figures are as at 31 December, except 2017 – Year to Date

Asset allocation



Fees and charges

| Capital Growth Fund | | | |
|---------------------|-------|--------------------------|----------|
| Initial charge* | 5.00% | Ongoing charges figure** | 1.79%*** |
| Performance fee | 0.00% | Exit Penalty | 0.00% |

*May be waived for clients of Kleinwort Benson.

**This includes fund administration charges. The ongoing charge is reduced to 1.59% for the institutional share class when assets of over GBP 5 million are in Kleinwort Benson managed funds.

***Calculated as at 30-Apr-2017. This amount may fluctuate according to fund size and underlying holdings.

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For investment business, compensation may be available to eligible investors in respect of protected claims up to a maximum of £50,000 per claimant. For further information about the compensation provided by the FSCS (including the amounts covered and eligibility to claim) please ask your private banker or refer to the FSCS website www.fscs.org.uk or call the FSCS on 020 7741 4100 or 0800 678 1100. Please note only compensation related queries should be directed to the FSCS.

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Host Capital is Authorised Corporate Director to the fund, FCA reference number 429093. Host Capital is not part of the Kleinwort Benson Group. Telephone 0207 290 9490.

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