

WS KLEINWORT HAMBROS FIXED INCOME FUND

Market commentary

Sterling bond yields continued to climb higher in May. The British Government ten-year bond started the month with a yield of 1.90% and, after a brief flirtation with lower yields in mid-May, ended it with a yield of 2.1%. This is the first time that yields have been above 2% since 2015. The corporate bond market was unable to withstand the upward pressure in yields. The move in bond yields has not matched the increase in inflation. For the year to April the CPI (consumer price index) rose by 9%, which is a far cry from the rate for the year to April 2021 of 1.5%. The Bank of England raised its Base Rate in early May from 0.75% to 1% and more is expected with markets currently anticipating that overnight interest rates will be above 2 ½% by the end of the year. Some of the inflation reflects external events – the rise in energy and food costs most notably – which are outside the control of the Bank of England, while others are domestically generated and have their origin in the disruption arising from shutting down and restarting economies through lockdown as well as the public spending decisions made in response to the pandemic. Monetary policy can help to slow the economy and reduce domestically generated inflation pressures; it can do nothing about external events. The tricky choice for all central banks is to judge how much tightening is required to deal with domestic pressures.

During the month the duration (which measures interest rate risk) was reduced from being close to benchmark to being about half a year short of it reflecting the view that further increases in bond yields were likely. The balance between holdings of corporate and government bonds has also been shifted with the longstanding overweight exposure to corporate bonds being reduced.

Looking ahead, inflation and the monetary policy response is likely to be a headwind for sterling fixed income markets, but we should also recognise that sentiment is quite poor and there continue to be encouraging signs from the corporate sector of improving performance, which should reassure investors. Nevertheless, until it becomes clear that inflation is peaking, the market is unlikely to make much forward progress.

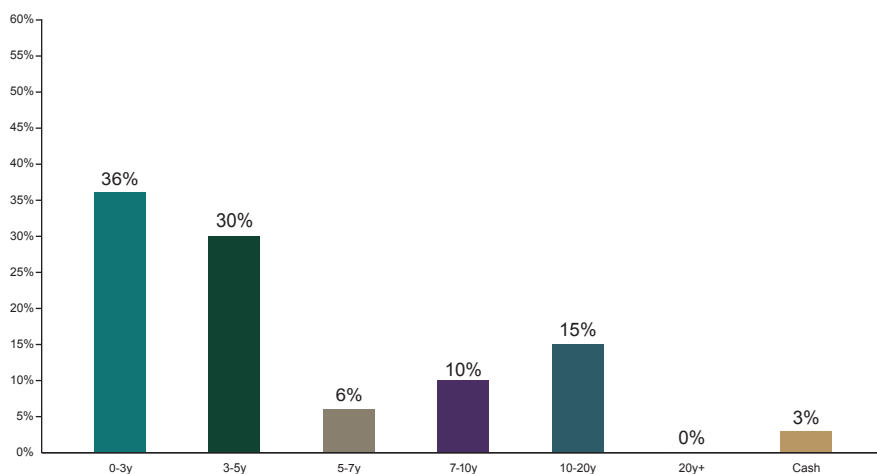
Definitions

Corporate bond: Refers to loans to companies that pay interest over their lifetime and are repaid at a given date. The level of interest paid is higher than government bonds to compensate for the additional credit risk the lenders are taking.

Government bond: Are loans to governments, which pay interest over their lifetime and are repaid at a given date.

Fixed income: This is a type of investment that will pay the investor a fixed payment on a fixed schedule until it's maturity date. At maturity the investor will be paid the principal amount invested. The two main types of fixed income investments are Government bonds and Corporate Bonds.

Fund maturity profile as at 31 May 2022



Source for all data: Kleinwort Hambros (as at 31 May 2022).

Fund details

Long term benchmark

50% BofAML 1-10 Sterling Corp Index /
50% BofAML 1-10 UK Gilt Index

Fund classes available

A Class

Fund size as at 31 May 2022

£13.6 million

Base currency

Sterling

Price listing

Bloomberg

Bloomberg ticker

Income units – CFEFIAI LN
Accumulation units – CFEFIAA LN

Domicile

UK

Minimum initial investment

£50,000

Launch date

28 March 2011

Pricing frequency

Daily

Current Gross Yield

1.9%

Structure

FCA Authorised UCITs scheme

Dividend distribution dates

30 April, 30 June, 30 September
and 31 December

Investment Manager

SG Kleinwort Hambros Bank Limited

Authorised Corporate Director

Waystone Management (UK) Limited

Auditor

Grant Thornton

Single year fund performance (5 years ending May)

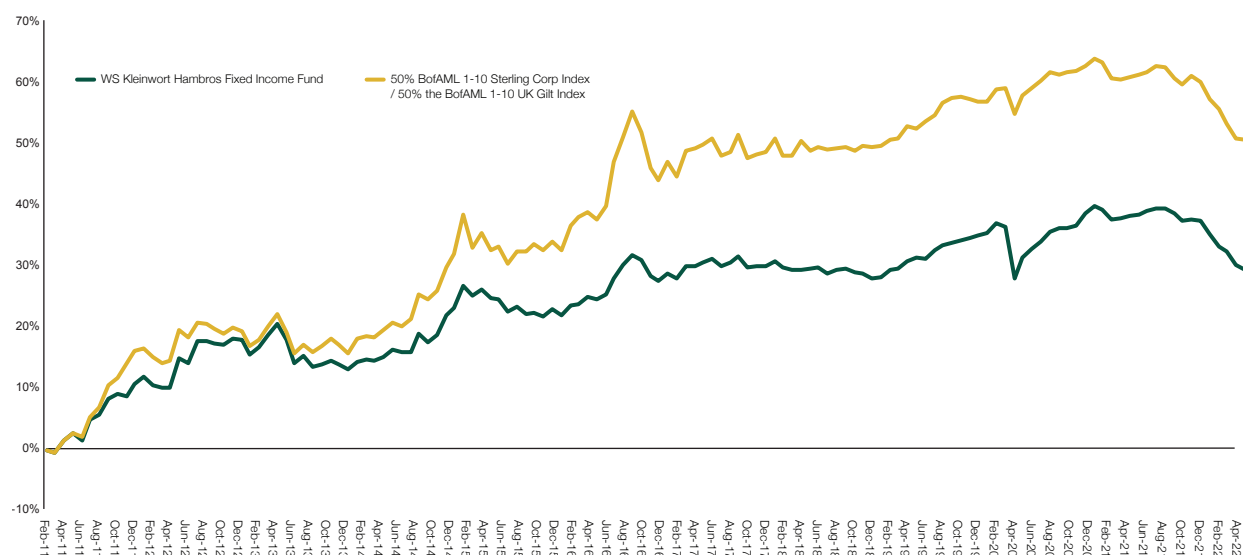
May 17 – May 18	May 18 – May 19	May 19 – May 20	May 20 – May 21	May 21 – May 22
-1.0%	1.2%	1.1%	4.3%	-6.5%

Fund performance (%)

	Since launch*	5 years*	4 years*	3 years*	2 years*	1 year*	6 months*	3 months*	1 month*
WS KH Fixed Income Fund	29.2%	-1.3%	-0.3%	-1.5%	-2.6%	-6.5%	-56.0%	-2.9%	-0.7%

*To 31 May 2022.

Bi-monthly cumulative performance (month-end prices)



Source for all data: Kleinwort Hambros (as at 31 May 2022). 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. Past performance should not be seen as an indication of future performance.

Composite credit ratings*

	% of fund
AAA	1.8%
AA+	1.8%
AA	2.0%
AA-	34.8%
A-	4.2%
BBB+	8.6%
BBB	10.4%
BBB-	21.4%
BB	1.8%
B+	2.0%
B	4.0%
Unrated	3.9%
Cash	3.3%

*The composite rating of a security is taken from Bloomberg and derived from the combined credit ratings of all rating agencies that rate that particular security, such as Standard & Poor's (S&P), Moody's Investors Service, Fitch ratings etc.

Performance table (%)

	2011*	2012	2013**	2014	2015	2016	2017	2018***	2019	2020	2021	2022****
WS KH Fixed Income Fund	10.7%	6.4%	-4.1%	8.9%	-1.0%	5.6%	1.5%	-2.0%	5.7%	3.2%	-1.6%	-5.9%
50% BofAML 1-10 Sterling Corp Index / 50% the BofAML 1-10 UK Gilt Index	16.1%	2.7%	-2.9%	13.9%	0.4%	10.8%	2.7%	-0.8%	4.8%	4.4%	-2.3%	-5.6%

* Launch date 28-Mar-2011.

**Pre April 2013 the benchmark was FTSE Govt All Stocks

*** Pre May 18 the benchmark was Barcap Sterling Aggregate Bond Index

**** 2022 – Year to date

Fees and charges

KH Fixed Inc Fund			
Initial charge*	7.00%	Ongoing charges figure**	0.90%***
Performance fee	0.00%	Exit Penalty	0.00%

* May be waived for clients of SG Kleinwort Hambros.

** This includes fund administration charges. The ongoing charge is reduced to 0.65% for the institutional share class when assets of over GBP 5 million are in SG Kleinwort Hambros managed funds.

*** Calculated as at 30-Apr-20. This amount may fluctuate according to fund size and underlying holdings.

Important Information

This document is provided for information purposes only. It does not constitute and under no circumstances should it be considered in whole or in part as an offer, a solicitation, advice, a recommendation or a contract. It is intended to be used by the recipient only and may not be passed on or disclosed to any other persons and/or in any jurisdiction that would render the distribution illegal.

It is the responsibility of any person in possession of this document to inform himself or herself of and to observe all applicable laws and regulations of the relevant jurisdictions. This document is in no way intended to be distributed in or into the United States of America nor directly or indirectly to any U.S. person.

This document is intended to report solely on the services, products, investment strategies and opportunities provided by or identified by the Kleinwort Hambros group ("Kleinwort Hambros Group"). The services, products, investment strategies and opportunities described herein may not be suitable for all clients. Potential clients should consult their financial adviser to assess the suitability of any proposed transaction before taking any action.

Financial Promotion

This document is a financial promotion.

Advice

We offer restricted advice, which will be based on a limited analysis of different types of products which include (but are not limited to) financial instruments or products linked to entities in the Societe Generale Group. We will advise and make a recommendation for you after we have assessed your needs. Please speak to your Private Banker for details of the range of products on which we provide advice.

Investment Performance

Past performance should not be seen as an indication of future performance. Investments may be subject to market fluctuations and the price and value of investments and the income derived from them can go down as well as up. Your capital may be at risk and you may not get back the amount you invest. Changes in inflation, interest rates and the rate of exchange may have an adverse effect on the value, price and income of investments.

Tax, Accounting and Legal

Any services and investments may have tax consequences and it is important to bear in mind that the Kleinwort Hambros Group does not provide tax advice. The level of taxation depends on individual circumstances and such levels and basis of taxation can change. You should seek professional tax advice in order to understand any applicable tax consequences. In addition, the material is not intended to provide, and should not be relied on for, accounting or legal purposes and independent advice should be sought where appropriate.

Some products and services are not available in all Kleinwort Hambros Group entities. Their availability depends on local laws and tax regulations. In addition, they have to comply with the Societe Generale Group Tax Code of Conduct. Furthermore, accessing some of these products, services and solutions might be subject to other conditions, amongst which is eligibility.

Conflicts of Interest

Kleinwort Hambros is part of the Societe Generale Group, an international organisation which provides a wide range of financial services in various countries. As such, it, or a company with whom it has an association may from time to time, have interests which conflict with its clients' interests or with the duties that it owes to its clients. These include conflicts arising between the interests of Societe Generale, its associates and employees on the one hand and the interests of its clients on the other and also conflicts between clients themselves. For example, companies in the Societe Generale Group may be the operator, trustee, custodian or depository of, or investment manager to, a collective investment scheme or may manufacture structured products, which may be included in your portfolio, and so may benefit financially from the establishment, sale, management or structure of such scheme or products. The Societe Generale Group maintains and operates effective organisational and administrative arrangements taking all reasonable steps to identify and prevent or manage conflicts of interest. Kleinwort Hambros has put in place a management of conflicts of interest policy designed to prevent conflicts of interest giving rise to a material risk of damage to the interests of its clients. For a summary of this conflicts of interest policy, clients can refer to www.kleinworthambros.com.

Marketing

If you do not wish to receive this document in the future, please let your Private Banker know or call us on +44 (0) 207 597 3000. Telephone calls may be monitored or recorded.

Legal and Regulatory Information

This document is issued by the following companies in the Kleinwort Hambros Group under the brand name Kleinwort Hambros:

United Kingdom

SG Kleinwort Hambros Bank Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. The firm reference number is 119250. The company is incorporated in England and Wales under number 964058 and its registered address is 5th Floor, 8 St James's Square, London SW1Y 4JU.

Channel Islands

SG Kleinwort Hambros Bank (CI) Limited is regulated by the Jersey Financial Services Commission ("JFSC") for banking, investment, money services and fund services business. The company is incorporated in Jersey under number 2693 and its registered address is PO Box 78, SG Hambros House, 18 Esplanade, St Helier, Jersey JE4 8PR. SG Kleinwort Hambros Bank (CI) Limited – Guernsey Branch is also regulated by the Guernsey Financial Services Commission ("GFSC") for banking, investment and money services business. Its address is PO Box 6, Hambro House, St Julian's Avenue, St Peter Port, Guernsey, GY1 3AE. The company (including the branch) is also authorised and regulated by the UK Financial Conduct Authority ("FCA") in respect of UK regulated mortgage business. The firm reference number is 310344. This document has not been authorised or reviewed by the JFSC, GFSC or FCA.

Gibraltar

SG Kleinwort Hambros Bank (Gibraltar) Limited is authorised and regulated by the Gibraltar Financial Services Commission for the conduct of banking, investment and insurance mediation business. The company is incorporated in Gibraltar under number 01294 and its registered address is 32 Line Wall Road, Gibraltar.

Compensation Scheme Information

United Kingdom

SG Kleinwort Hambros Bank Limited is covered by the Financial Services Compensation Scheme ("FSCS"). The FSCS can pay compensation to eligible depositors or investors if a bank is unable to meet its financial obligations. Most depositors and investors – including most individuals and businesses – are covered by the scheme.

In relation to investment services compensation will be payable, however, only in circumstances where we have been in default to you of our obligations. It will not be available merely because your investments have not performed as well as you had expected unless we are somehow at fault. For further information about the schemes (including the amounts covered and eligibility to claim) please contact your Private Banker or refer to the FSCS website: www.fscs.org.uk.

Channel Islands

SG Kleinwort Hambros Bank (CI) Limited is a participant in the Jersey Bank Depositors Compensation Scheme (the "JBDC Scheme"). The JBDC Scheme offers protection for eligible deposits of up to £50,000. The maximum total amount of compensation is capped at £100,000,000 in any five year period. Full details of the JBDC Scheme and banking groups covered are available on the States of Jersey website www.gov.je/dcs or on request. SG Kleinwort Hambros Bank (CI) Limited – Guernsey Branch is a participant in the Guernsey Banking Deposit Compensation Scheme (the "GBDC Scheme"). The GBDC Scheme offers protection for "qualifying deposits" up to £50,000, subject to certain limitations. The maximum total amount of compensation is capped at £100,000,000 in any five year period. Full details are available on the GBDC Scheme's website www.dcs.gg or on request. Please note the Channel Islands are not part of the UK and when you conduct business with SG Kleinwort Hambros Bank (CI) Limited you will not be eligible for: (a) the protections provided under the UK's Financial Services and Markets Act 2000 other than protections relating specifically to UK regulated mortgage business; or (b) referring complaints to the UK's Financial Ombudsman Service. However SG Kleinwort Hambros Bank (CI) Limited's UK regulated mortgage business is covered under the UK's Financial Services Compensation Scheme ("FSCS"). You may be entitled to compensation from the FSCS if SG Kleinwort Hambros Bank (CI) Limited cannot meet its obligations in relation to UK regulated mortgage business. This depends on the circumstances of the claim. For further information about the FSCS (including the amounts covered and eligibility to claim) please contact your Private Banker or refer to the FSCS website: www.fscs.org.uk.

Gibraltar

SG Kleinwort Hambros Bank (Gibraltar) Limited is a participant in the Gibraltar Investor Compensation Scheme. You may be entitled to compensation from the scheme if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim. Further details of the scheme are available on request or can be found at www.gics.gi.

General

Kleinwort Hambros is part of Societe Generale Private Banking, which is part of the wealth management arm of the Societe Generale Group. Societe Generale is a French Bank authorised in France by the Autorité de Contrôle Prudentiel et de Résolution, located at 61, rue Taitbout, 75436 Paris Cedex 09 and under the prudential supervision of the European Central Bank. It is also authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Further information on the Kleinwort Hambros Group including additional legal and regulatory details can be found at: www.kleinworthambros.com Any unauthorised use, duplication, redistribution or disclosure in whole or in part is prohibited without the prior consent of Societe Generale. The key symbols, Societe Generale, Societe Generale Private Banking and Kleinwort Hambros are registered trademarks of Societe Generale.

© Copyright the Societe Generale Group 2020. All rights reserved.