

WS KLEINWORT HAMBROS FIXED INCOME FUND

Market commentary

Yields on British government bonds moved briskly higher in September. At the end of August, the yield to maturity of the 10-year British government bond stood at 0.71%; by the end of September it had risen to 1.02%, which was higher than the levels seen in May this year. Other markets saw yields move higher as well but the move was less pronounced. The 10-year US treasury saw its yield go from 1.31% to 1.49% over the same period. The main reason for the difference in the extent of the change was that the Bank of England gave stronger indications about raising interest rates than other central banks did. Economic reports in September continued to show robust expansion but this was accompanied by news that the core rate of consumer price inflation was running at an annual rate of just over 3%: its highest level since 2011.

Portfolios continued to follow the strategy of being short of duration (which measures interest rate risk) relative to benchmark and being overweight corporate bonds relative to government bonds. Within the corporate sector we have maintained the emphasis on the subordinated debt of financial companies where prospective relative returns continue to justify the somewhat higher risk in our view. We expect to maintain these positions: the prospect of an eventual rise in interest rates is likely to push bond yields higher while the strength of the economic recovery should support further improvements in company finances.

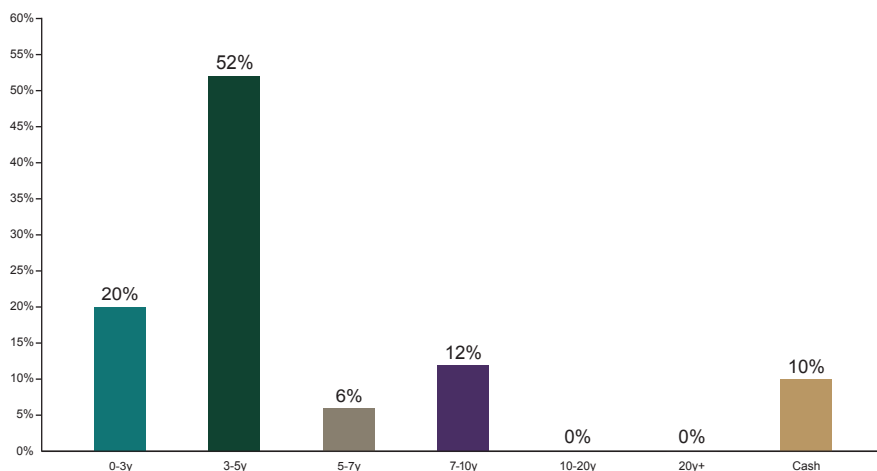
Definitions

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.

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.

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

Fund maturity profile as at 30 September 2021



Source for all data: Kleinwort Hambros (as at 30 September 2021).

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 30 September 2021

£17.7 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 September)

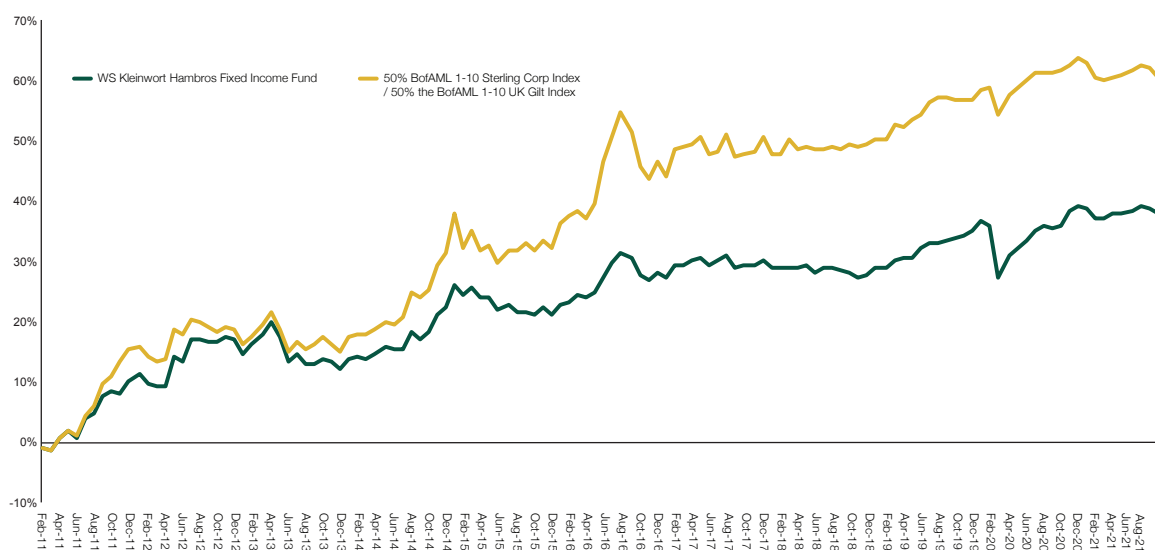
Sep 16 – Sep 17	Sep 17 – Sep 18	Sep 18 – Sep 19	Sep 19 – Sep 20	Sep 20 – Sep 21
-1.0%	-0.6%	4.0%	1.5%	1.7%

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	38.3%	5.7%	6.7%	7.4%	3.3%	1.7%	0.6%	-0.3%	-0.6%

*To 30 September 2021.

Bi-monthly cumulative performance (month-end prices)



Source for all data: Kleinwort Hambros (as at 30 September 2021). 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	3.2%
AA+	1.7%
AA	2.8%
AA-	22.5%
A-	4.5%
BBB+	10.7%
BBB	2.8%
BBB-	25.1%
BB+	3.2%
BB	3.9%
B+	1.8%
B	1.9%
Unrated	6.1%
Cash	9.8%

*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****
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%	-0.9%
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%	-2.0%

* 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

**** 2021 – 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.

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Marketing

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