



# HOST CAPITAL

GLOBAL FUND MANAGEMENT



## Host Capital

HC Charteris Premium Income Fund

**Annual Report and Financial Statements**

*For the year 1 July 2016 to 30 June 2017 (audited)*



**TRUST AND HEAD OFFICE**

HC Charteris Premium Income Fund

73 New Bond Street

London W1S 1RS

*(Authorised and regulated by the Financial Conduct Authority)*

**INVESTMENT MANAGER**

Charteris Treasury Portfolio Managers Limited

8/9 Lovat Lane,

London EC3R 8DW

*(Authorised and regulated by the Financial Conduct Authority)*

**AUTHORISED FUND MANAGER (AFM)\***

Host Capital Limited

73 New Bond Street

London W1S 1RS

*(Authorised and regulated by the Financial Conduct Authority)*

**(PREVIOUSLY)**

WAY Fund Managers Limited

Cedar House, 3 Cedar Park

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Wimborne

Dorset BH21 7SB

*(Authorised and regulated by the Financial Conduct Authority)*

**DIRECTORS OF THE AFM**

G.L. Brooks

C.T. Finch

B. Primrose

S. Anderson

S. Chaudhri

**TRUSTEE\*\***

Citibank Europe Plc, UK Branch

Citigroup Centre

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*(Authorised and regulated by the Financial Conduct Authority)*

**(PREVIOUSLY)**

Northern Trust Global Services Limited

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**REGISTRAR AND TRANSFER AGENT**

Investor Administration Solutions Limited

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**ADMINISTRATOR**

Apex Fund Services Limited

Veritas House

London

EC2A 1NQ

**AUDITORS\*\*\***

Grant Thornton UK LLP

30 Finsbury Square

London EC2P 2YU

**(PREVIOUSLY)**

Deloitte LLP

Saltire Court

20 Castle Terrace

Edinburgh, EH1 2DB

\* As of the 17<sup>th</sup> December 2016, Host Capital Limited were appointed as Authorised Fund Manager.

\*\*As of the 17<sup>th</sup> December 2016, Citibank Europe Plc were appointed as Trustee.

\*\*\* As of the 17<sup>th</sup> December 2016, Grant Thornton UK LLP were appointed Independent Auditor.



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## Authorised Fund Manager's Report

### AUTHORISED STATUS

HC Charteris Premium Income Fund ("the Trust") is an Unit Trust authorised by the Financial Conduct Authority ('FCA'), with effect from 29 August 2001.

The Trust has an unlimited duration.

It is a 'UCITS scheme' and the base currency of the Trust is pounds sterling.

Unitholders will in no event be liable for the debts of the Trust. A unitholder is not liable to make further payments to the Trust after they have paid the price on purchase of units.

### IMPORTANT EVENTS DURING THE YEAR

As of the 17th December 2016, following the appointment of Host Capital Limited as Authorised Fund Manager (AFM), the Trust's name changed to HC Charteris Premium Income Fund from Elite Charteris Premium Income Fund. Following the appointment of the AFM, Citibank Europe Plc, UK Branch were appointed as Trustee and Grant Thornton UK LLP as Independent Auditors, both on 17<sup>th</sup> December 2016.

### REMUNERATION

The AFM is subject to a remuneration policy which is consistent with the principles outlined in the European Securities and Markets Authority guidelines on sound remuneration policies under the Directive.

The fixed remuneration paid by the AFM to its staff in respect of all funds it manages in the year ended 30 June 2017 was £510,895 and was shared among 10 members of staff. All 10 AFM staff members were fully or partially involved in the activities of the Trust. The AFM did not pay any variable remuneration. The AFM staff remuneration is established with reference to the market remuneration of each equivalent position and is not linked to the performance of the Trust or any other alternative investment fund the AFM is the AIFM of. None of the AFM's staff actions had a material impact on the risk profile of the Trust. The remuneration policies were reviewed during the year and were judged to continue to be appropriate.

The AFM delegates the management of the Trust's liquid assets to Charteris Treasury Portfolio Manager's Limited ('Charteris') and pays Charteris out of the AFM's annual management charge. The total fee paid to Charteris for funds which Host Capital are the ACD in the reporting period was £80,832.11. Charteris is compliant with the CRD remuneration requirements and therefore Charteris staff are covered by remuneration regulatory requirements.



## Short Reports

The FCA published Handbook Notice 37 and Policy Statement PS16/23 in late September/early October 2016 along with a number of statutory instruments. These documents implement a number of changes to the FCA Handbook that impact authorised funds as well as their operators and depositories. Under these changes the requirement to publish a short report has been removed from 22 November 2016 along with the prospectus requirement. Thus HC Charteris Premium Income Fund will no longer produce short reports (for the year ended 30 June 2017).

HOST CAPITAL LIMITED

*Authorised Fund Manager of HC Charteris Premium Income Fund*

24 October 2017





## Director's Statement

This report has been prepared in accordance with the requirements of the Collective Investment Schemes Sourcebook as issued and amended by the Financial Conduct Authority

HOST CAPITAL LIMITED

*Authorised Fund Manager of HC Charteris Premium Income Fund*

24 October 2017



## Statement of Authorised Fund Manager's Responsibilities

The AFM is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

The Financial Conduct Authority's Collective Investment Schemes Sourcebook (the 'COLL Sourcebook') requires the AFM to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Trust and of the net revenue/expense and of the net capital gains/losses on the scheme property of the Trust for that year. In preparing those financial statements, the AFM is required to:

- select suitable accounting policies, as described in the attached financial statements, and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the financial statements in accordance with the requirements of the Investment Association Statement of Recommended Practice (IA SORP); and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Trust will continue in business.

The AFM is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and enable them to ensure that the financial statements comply with the COLL Sourcebook. The AFM is also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the AFM is aware:

- there is no relevant audit information of which the Trust's Auditor is unaware; and
- the AFM has taken all steps that it ought to have taken to make itself aware of any relevant audit information and to establish that the Auditor is aware of that information.



## Statement of Trustee's Responsibilities

### ***Statement of the Trustee's Responsibilities in Respect of the Scheme and Report of the Trustee to the Unitholders of the HC Charteris Premium Income Fund ("the Trust") for the Period 17 December 2016 to 30 June 2017.***

The Trustee is responsible for the safekeeping of all the property of the Trust (other than tangible moveable property) which is entrusted to it and ensuring proper registration of tangible moveable property, and for the collection of income arising from all such scheme property.

It is the duty of the Trustee to take reasonable care to ensure that the Trust is managed and operated in accordance with the Financial Conduct Authority' Collective Investment Schemes Sourcebook ("the Sourcebook"), the Financial Services and Markets Act 2000, as amended, and the Trust Deed and the Prospectus of the Trust, concerning: the pricing of and dealing in Trust Units; the application of income of the Scheme; and the Trust investment portfolio and borrowing activities.

Having carried out procedures and enquiries considered duly necessary to discharge our responsibilities as Trustee of the scheme, based on information and explanations provided to us, we believe that, in all material respects, the AFM:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the scheme's Units and the application of the scheme's income in accordance with the Sourcebook, the Trust Deed and Prospectus;
- (ii) has observed the investment and borrowing powers and restrictions applicable to the scheme; and
- (iii) has, otherwise, ensured the proper operation of the Trust.

Citibank Europe plc, UK Branch  
London

24 October 2017

### ***Report of the Trustee to the Unitholders of the Elite Charteris Premium Income Fund ("the Trust") for the period ended 16<sup>th</sup> December 2016.***

Having carried out such procedures as we considered necessary to discharge our responsibilities as Trustee of the Trust, it is our opinion, based on the information available to us and the explanations provided, that, in all material respects the Trust, acting through the AFM:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Trust's units and the application of the Trust's income in accordance with the Regulations and the Scheme documents of the Trust; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Trust in accordance with the Regulations and the Scheme documents of the Trust.

Northern Trust Global Services Limited  
UK Trustee and Depositary Services

16<sup>th</sup> December 2016





## Independent Auditor's Report to the Unitholders of HC Charteris Premium Income Fund

### Opinion

We have audited the financial statements of HC Charteris Premium Income Fund (the Trust) for the year ended 30 June 2017. These financial statements comprise the statement of total return, the statement of change in net assets attributable to unitholders, the balance sheet, notes to the financial statements, including a summary of significant accounting policies, and the distribution table.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice 'Financial Statements of UK Authorised Funds' issued by the Investment Association in May 2014.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Trust as at 30 June 2017 and of the net revenue and net capital gains on the scheme property of the Trust for the year ended; and
- have been properly prepared in accordance with the Statement of Recommended Practice 'Financial Statements of UK Authorised Funds' issued by the Investment Association in May 2014, the Collective Investment Schemes sourcebook, and the Trust Deed.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Who we are reporting to

This report is made solely to the Trust's unitholders, as a body, in accordance with Rule 4.5.12 of the Collective Investment Schemes sourcebook. Our audit work has been undertaken so that we might state to the Trust's unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trust's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Authorised Fund Manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Authorised Fund Manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Trust's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The Authorised Fund Manager is responsible for the other information. The other information comprises the information included in the annual report set out on pages 2 to 34, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



## Independent Auditor's Report to the Unitholders of HC Charteris Premium Income Fund continued

### Opinion on other matters prescribed by the Collective Investment Schemes sourcebook

In our opinion:

- we have been given all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purposes of our audit, and
- the information given in the Authorised Fund Manager's Report and the Investment Manager's Report (which comprises the information on the inside cover and the pages 2 and 7-15, with the exception of the "Comparative Tables" and "Fund Information" pages, but including the "Synthetic Risk and Reward Indicators" on page 12) is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Collective Investment Schemes sourcebook requires us to report to you if in our opinion:

- proper accounting records for the Trust have not been kept, or
- the financial statements are not in agreement with those accounting records.

### Responsibilities of the Authorised Fund Manager

As explained more fully in the Statement of Authorised Fund Manager's Responsibilities on page 3, the Authorised Fund Manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Authorised Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Authorised Fund Manager is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authorised Fund Manager either intends to wind up the Trust or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants  
London, United Kingdom

24 October 2017







## Investment Manager's Report

### INVESTMENT OBJECTIVE AND POLICY

The objective of the Trust is to provide a combination of income and capital growth with a particular emphasis on income.

The Trust will aim to achieve its investment objective through investment in a portfolio of transferable securities (including investment trusts), derivatives, Collective Investment Schemes, warrants, cash and near cash deposits and money market instruments.

The portfolio will be actively managed and normally remain fully invested save for such operational liquidity as is required from time to time. The assets of the Trust will be managed in such a way that the Units in the Trust will be qualifying investments for Individual Savings Accounts. There will, however, be no restrictions on the underlying content of the investments held, in terms of investment type, geographical or economic sector, other than those imposed by the Regulations. This means that the Investment Adviser has the absolute discretion to weight the portfolio towards any investment type or sector, including cash, at any time provided such investment is compatible with the investment objective and policy of the Trust as a whole.

The use of derivatives and/or hedging transactions are permitted in connection with the efficient portfolio management of the Trust, and borrowing will be permitted on a temporary basis under the terms of the Regulations. In particular, derivatives transactions, including options, may be written in respect of the underlying investments of the Trust on a fully covered basis.

On giving 60 days' notice to Unitholders, the Trust may, in addition to its other investment powers, use derivatives and forward transactions for investment purposes. The use of derivatives in this way may change the risk profile of the Trust.

### INVESTMENT REVIEW

We continued to conduct a comprehensive analysis of the leading UK Index of Blue Chip Equities during the reporting period which included an in-depth fundamental and technical analysis across all stocks and sectors. There have been dramatic movements within the Index with the reshuffles having had quite an impact on sector weightings. We have seen stocks like Polymetal enter and then drop out of the index whereas stocks like Berkeley Group, Capita, Travis Perkins, Intu Properties and Dixons Carphone Warehouse have not re-entered the top Index after their demotions. There has been a continued focus on mining/growth stocks where BHP Billiton, Anglo American and Rio Tinto Zinc have continued to rebuild their balance sheets and continued to pay healthy dividends back to investors. These mining stocks form a large portion of the Trust amongst others like Antofagasta, whom, over the reporting period has been a star performer for the Trust due to the huge rises seen in the copper/mining markets. We reduced holdings amongst the utilities such as SSE as well as long standing holdings such as BT Group, BP and Sainsbury's. We also purchased a large position in Lloyds bank now that the UK Government has sold all of its holding in the stock. The portfolio has remained free from options for the reporting period so no stock was lost due to early exercising of any options. The Trust continues to strive for strong and high yielding stocks to boost to its unitholders' return with equities such as National Grid and Intercontinental Hotels which continues to provide good capital gains as well as income to investors. Analysis that we study does not provide a particularly good outlook for the retail sector so we have avoided Marks & Spencer, Whitbread and Next as well as staying away from financial stocks such as RBS and Barclays for inclusion into the Portfolio.

### PERFORMANCE OF THE FUND

The HC Charteris Premium Income Fund Institutional Accumulation class went up 15.65% for the reporting period versus the IA UK Equity Income Sector which went up 17.11% meaning an underperformance of 1.46% (Source Financial Express)

### MARKET COMMENTARY

The UK property sector has shown tremendous resilience after the downturn following the UK Brexit vote and remains an important component of UK Investment portfolio strategy amongst investors, both individual and institutional. Following the depreciation of the UK Sterling, this has benefitted and will continue to benefit the overseas earners, which make up a large portion of the top UK Index.

**OUTLOOK**

There still is very much a "herd" mentality in the Equities' sector with regards to perceived safety. Within equities, some stocks like Whitbread have become somewhat overvalued due to the perception that stocks like this are low risk. Our analysis of Gilts and T-bonds leads to the conclusion that this sector is becoming overvalued and now contains asymmetric risk. Investors are continuing to overpay for these so called "safe" stocks, in the same way they overpaid for Bonds, and have ignored much better value in the so called "riskier" end of the market. It could be argued that the mining/growth sector of the global indices is the only sector that Investors could buy at post-crash levels offering potential buying opportunities that may not be seen again. We are therefore focusing on value rather than what is deemed to be fashionable.

Charteris Treasury Portfolio Managers Limited

*Investment Manager*

20 July 2017





COMPARATIVE TABLES

Changes in net asset per unit

30 June 2017	I Accumulation £	I Income £	R Accumulation £	R Income £
Opening net asset value per unit	1.4136	1.0817	1.3781	1.0508
Return before operating charges* <sup>1</sup>	0.2430	0.1851	0.2366	0.1796
Operating charges <sup>2</sup>	(0.0225)	(0.0171)	(0.0296)	(0.0224)
<b>Return after operating charges* <sup>3</sup></b>	<b>0.2205</b>	<b>0.1680</b>	<b>0.2070</b>	<b>0.1572</b>
Gross distribution on accumulation/income units	(0.0596)	(0.0452)	(0.0579)	(0.0438)
Retained gross distributions on accumulation units <sup>8</sup>	0.0596	-	0.0579	-
<b>Closing net asset value per unit</b>	<b>1.6341</b>	<b>1.2045</b>	<b>1.5851</b>	<b>1.1642</b>
* after direct transaction costs of: <sup>4</sup>	0.0016	0.0012	0.0016	0.0012
<b>Performance</b>				
Return after charges <sup>5</sup>	15.60%	15.53%	15.02%	14.96%
<b>Other information</b>				
Closing net asset value (£)	1,233,064	5,372,123	57,774	4,560,423
Closing number of units	754,592	4,460,058	36,449	3,917,085
Operating charges <sup>6</sup> (%)	1.43	1.43	1.93	1.93
Direct transaction costs <sup>7</sup> (%)	0.10	0.10	0.10	0.10
<b>Prices</b>				
Highest unit price <sup>9</sup>	1.6996	1.2826	1.6497	1.2405
Lowest unit price <sup>9</sup>	1.3955	1.0675	1.3603	1.0370

Footnotes:

<sup>1</sup> The "Return before operating charges" is calculated as the "Return after operating charges" plus the "Operating charges".

<sup>2</sup> The Operating charges shows the relevant annualised operating expenses, excluding performance fees, expressed by reference to the average number of units in issue during the year.

<sup>3</sup> Calculated as the "Closing net asset value per unit" plus the "distributions" minus the "Opening net asset value per unit".

<sup>4</sup> Total direct transaction costs expressed by reference to the average number of units in issue at each valuation point during the year.

<sup>5</sup> The "Return after charges" is calculated as the "Return after operating charges" per unit divided by the "Opening net asset value per unit".

<sup>6</sup> The Operating charges shows the relevant annualised operating expenses, excluding performance fees, expressed by reference to the average of the net asset values at each valuation point during the year.

<sup>7</sup> Total direct transaction costs expressed by reference to the average of the net asset values at each valuation point during the year.

<sup>8</sup> The total amount retained is calculated as the total amount distributed.

<sup>9</sup> The highest and lowest price from the published Net Asset Value.



COMPARATIVE TABLES continued

Changes in net asset per unit

30 June 2016	I Accumulation £	I Income £	R Accumulation £	R Income £
<b>Opening net asset value per unit</b>	1.3412	1.0937	1.3141	1.0679
Return before operating charges* <sup>1</sup>	0.0902	0.0471	0.0879	0.0456
Operating charges <sup>2</sup>	(0.0178)	(0.0141)	(0.0239)	(0.0189)
<b>Return after operating charges* <sup>3</sup></b>	0.0724	0.0330	0.0640	0.0267
Gross distribution on accumulation/income units	(0.0569)	(0.0450)	(0.0556)	(0.0438)
Retained gross distributions on accumulation units <sup>8</sup>	0.0569	-	0.0556	-
<b>Closing net asset value per unit</b>	1.4136	1.0817	1.3781	1.0508
* after direct transaction costs of: <sup>4</sup>	0.0038	0.0030	0.0037	0.0030
<b>Performance</b>				
Return after charges <sup>5</sup>	5.40%	3.02%	4.87%	2.50%
<b>Other information</b>				
Closing net asset value (£)	1,012,162	5,308,188	48,007	4,113,287
Closing number of units	716,035	4,907,456	34,838	3,914,429
Operating charges <sup>6</sup> (%)	1.34	1.34	1.84	1.84
Direct transaction costs <sup>7</sup> (%)	0.29	0.29	0.29	0.29
<b>Prices</b>				
Highest unit price <sup>9</sup>	1.4091	1.1251	1.3803	1.0983
Lowest unit price <sup>9</sup>	1.1873	0.9335	1.1600	0.9089

Footnotes:

<sup>1</sup> The "Return before operating charges" is calculated as the "Return after operating charges" plus the "Operating charges".

<sup>2</sup> The Operating charges shows the relevant annualised operating expenses, excluding performance fees, expressed by reference to the average number of units in issue during the year.

<sup>3</sup> Calculated as the "Closing net asset value per unit" plus the "distributions" minus the "Opening net asset value per unit".

<sup>4</sup> Total direct transaction costs expressed by reference to the average number of units in issue at each valuation point during the year.

<sup>5</sup> The "Return after charges" is calculated as the "Return after operating charges" per unit divided by the "Opening net asset value per unit".

<sup>6</sup> The Operating charges shows the relevant annualised operating expenses, excluding performance fees, expressed by reference to the average of the net asset values at each valuation point during the year.

<sup>7</sup> Total direct transaction costs expressed by reference to the average of the net asset values at each valuation point during the year.

<sup>8</sup> The total amount retained is calculated as the total amount distributed.

<sup>9</sup> The highest and lowest price from the published Net Asset Value.





COMPARATIVE TABLES continued

Changes in net asset per unit

30 June 2015	I Accumulation £	I Income £	R Accumulation £	R Income £
<b>Opening net asset value per unit</b>	1.4001	1.1568	1.3787	1.1353
Return before operating charges* <sup>1</sup>	(0.0423)	(0.0114)	(0.0414)	(0.0112)
Operating charges <sup>2</sup>	(0.0166)	(0.0136)	(0.0232)	(0.0189)
<b>Return after operating charges* <sup>3</sup></b>	(0.0589)	(0.0250)	(0.0646)	(0.0301)
Gross distribution on accumulation/income units	(0.0464)	(0.0381)	(0.0456)	(0.0373)
Retained gross distributions on accumulation units <sup>8</sup>	0.0464	-	0.0456	-
<b>Closing net asset value per unit</b>	1.3412	1.0937	1.3141	1.0679
* after direct transaction costs of: <sup>4</sup>	0.0119	0.0119	0.0169	0.0169
<b>Performance</b>				
Return after charges <sup>5</sup>	(4.21%)	(2.16%)	(4.69%)	(2.65%)
<b>Other information</b>				
Closing net asset value (£)	1,183,022	3,534,527	158,497	6,409,279
Closing number of units	882,034	3,231,748	120,612	6,001,575
Operating charges <sup>6</sup> (%)	1.19	1.19	1.69	1.69
Direct transaction costs <sup>7</sup> (%)	0.39	0.39	0.39	0.39
<b>Prices</b>				
Highest unit price <sup>9</sup>	1.4749	1.2027	1.4458	1.1750
Lowest unit price <sup>9</sup>	1.2701	1.0494	1.2477	1.0275

Footnotes:

<sup>1</sup> The "Return before operating charges" is calculated as the "Return after operating charges" plus the "Operating charges".

<sup>2</sup> The Operating charges shows the relevant annualised operating expenses, excluding performance fees, expressed by reference to the average number of units in issue during the year.

<sup>3</sup> Calculated as the "Closing net asset value per unit" plus the "distributions" minus the "Opening net asset value per unit".

<sup>4</sup> Total direct transaction costs expressed by reference to the average number of units in issue at each valuation point during the year.

<sup>5</sup> The "Return after charges" is calculated as the "Return after operating charges" per unit divided by the "Opening net asset value per unit".

<sup>6</sup> The Operating charges shows the relevant annualised operating expenses, excluding performance fees, expressed by reference to the average of the net asset values at each valuation point during the year.

<sup>7</sup> Total direct transaction costs expressed by reference to the average of the net asset values at each valuation point during the year.

<sup>8</sup> The total amount retained is calculated as the total amount distributed.

<sup>9</sup> The highest and lowest price from the published Net Asset Value.



**FUND INFORMATION**

**SYNTHETIC RISK AND REWARD INDICATOR**

The Risk and Reward Indicator table demonstrates where the Trust ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Trust. The shaded area in the table below shows the Trust's ranking on the Risk and Reward Indicator.

Typically lower rewards				Typically higher rewards		
← Lower risk				Higher risk →		
1	2	3	4	5	6	7

The Trust is ranked at 5 (30.06.2016: 6). This is due to historical price movement of such investments. Please note that even the lowest risk class can lose you money and that extreme market circumstances may change in the future. The indicator does not take into account the following risks of investing in this Trust.

The Trust will occasionally write covered options. The premium received for these positions may help increase the income of the Trust but in certain market conditions the covered options may contain the capital growth.

The Trust can use derivatives in order to meet its investment objectives or to protect from price and currency movements. This may result in gains or losses that are greater than the original amount invested.

In difficult market conditions and for certain assets there may be a reduction in buying and selling activity making it difficult for the Trust to buy or sell, which may mean the Trust sells at lower prices and misses investment opportunities, having the effect of reducing Trust returns.

Further details on risk factors that apply to this Trust are set out in the Risk Factors section of the prospectus.

**FUND PERFORMANCE TO 30 June 2017 (%)**

	1 year	3 year	5 year	Since launch
HC Charteris Premium Income Fund	15.65%	0.25%	(2.43%)	4.51%

The performance of the Trust is based on the published price per 'I' Accumulation unit which includes reinvested income.

Details of the distributions per unit for the period are shown in the distribution tables on pages 31 & 32.





**PORTFOLIO STATEMENT**

AS AT 30 JUNE 2017

Holding	Portfolio of Investments	Value £	Total Net Assets	
			30.06.17 %	30.06.16 %
	JERSEY			
	EQUITIES			
50,000	Polymetal International	430,500	3.84	
20,000	WPP	322,600	2.87	
	<b>TOTAL JERSEY EQUITIES</b>	<b>753,100</b>	<b>6.71</b>	<b>2.96</b>
	UNITED KINGDOM			
	EQUITIES			
12,500	Admiral	250,250	2.23	
25,000	Anglo American	256,000	2.28	
72,000	Antofagasta	575,640	5.13	
40,000	Barratt Developments	225,200	2.01	
45,000	BHP Billiton	528,975	4.71	
40,000	BP	177,120	1.58	
15,000	Diageo	340,275	3.03	
20,000	Experian	314,800	2.81	
30,000	Fresnillo	445,800	3.97	
18,000	GlaxoSmithKline	294,210	2.62	
10,000	Hargreaves Lansdown	130,200	1.16	
45,000	HSBC	320,265	2.85	
8,617	Intercontinental Hotels	367,515	3.27	
10,000	Johnson Matthey	287,100	2.56	
100,000	Legal & General	258,000	2.30	
900,000	Lloyds Banking	595,350	5.31	
25,208	National Grid	239,905	2.14	
18,000	Persimmon	403,380	3.59	
24,000	Prudential	422,520	3.77	
18,000	Rio Tinto	583,560	5.20	
15,000	Royal Dutch Shell	309,375	2.76	
11,000	Schroders	341,440	3.04	
10,000	Severn Trent	218,100	1.94	
40,000	Standard Chartered	310,880	2.77	
80,000	Standard Life	319,120	2.84	
200,000	Taylor Wimpey	352,200	3.14	
180,000	Vodafone	391,860	3.49	
60,000	Worldpay	188,700	1.68	
	<b>TOTAL UK EQUITIES</b>	<b>9,447,740</b>	<b>84.18</b>	<b>86.11</b>



Investment Manager's Report *continued*

**PORTFOLIO STATEMENT** *continued*

AS AT 30 JUNE 2017

Holding	Portfolio of Investments	Value £	Total Net Assets	
			30.06.17 %	30.06.16 %
	REAL ESTATE INVESTMENT TRUSTS			
50,000	British Land	302,500	2.70	
50,000	Hammerson	286,500	2.55	
28,000	Land Securities	283,360	2.52	
	<b>TOTAL REAL ESTATE INVESTMENT TRUSTS</b>	<b>872,360</b>	<b>7.77</b>	<b>10.31</b>
	<b>Portfolio of investments</b>	<b>11,073,200</b>	<b>98.66</b>	<b>99.38</b>
	Net other assets	150,184	1.34	0.62
	<b>Net assets</b>	<b>11,223,384</b>	<b>100.00</b>	<b>100.00</b>

All investments are ordinary shares unless otherwise stated and admitted to official stock exchange listings.

**SUMMARY OF MATERIAL PORTFOLIO CHANGES**

FOR THE YEAR ENDED 30 JUNE 2017

Purchases	Cost £
Lloyds Banking	594,039
Polymetal International	485,806
Anglo American	299,526
Easyjet	263,305
Admiral	256,152
Worldpay	162,482
Standard Chartered	129,415
Hargreaves Lansdown	121,802
Taylor Wimpey	105,415
Vodafone	81,474
Persimmon	76,268
<b>Total purchases</b>	<b>2,575,684</b>

The summary of material portfolio changes represents all purchases for the period





**SUMMARY OF MATERIAL PORTFOLIO CHANGES** continued  
FOR THE YEAR ENDED 30 JUNE 2017

Sales	Proceeds £
Randgold Resources	428,748
Berkeley	260,089
Sainsbury J	254,085
Easyjet	253,299
Royal Mail	248,224
Intu Properties	224,162
BT	208,662
Sky	174,059
ITV	166,679
Imperial Brands	162,196
HSBC	131,678
Standard Life	130,499
Fresnillo	94,128
BP	91,360
Prudential	90,984
BHP Billiton	64,289
Antofagasta	61,879
Rio Tinto	56,915
Royal Dutch Shell	52,711
Intercontinental Hotels	46,999
GlaxoSmithKline	33,980
Persimmon	33,645
National Grid	23,203
<b>Total sales</b>	<b>3,292,473</b>

The summary of material portfolio changes represents all sales for the period.

 **Financial Statements**

**STATEMENT OF TOTAL RETURN**  
FOR THE YEAR ENDED 30 JUNE 2017

	Note	30.06.17		30.06.16	
		£	£	£	£
Income					
Net capital gains	3		1,370,221		10,190
Revenue	4	429,707		454,652	
Expenses	5	(218,121)		(166,707)	
Interest payable and similar charges		(173)		-	
Net revenue before taxation		211,413		287,945	
Taxation	6	-		-	
Net revenue after taxation			211,413		287,945
<b>Total return before distributions</b>			<b>1,581,634</b>		<b>298,135</b>
Distributions	7		(423,459)		(449,801)
<b>Change in net assets attributable to Unitholders from investment activities</b>			<b>1,158,175</b>		<b>(151,666)</b>

**STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**  
FOR THE YEAR ENDED 30 JUNE 2017

	30.06.17		30.06.16	
	£	£	£	£
<b>Opening net assets attributable to Unitholders</b>		<b>10,481,644</b>		<b>11,285,325</b>
Amounts received on issue of units	1,031,766		2,356,483	
Amounts payable on cancellation of units	(1,496,220)		(3,054,811)	
		(464,454)		(698,328)
Dilution levy charged		803		-
Change in net assets attributable to Unitholders from investment activities		1,158,175		(151,666)
Retained distribution on Accumulation units		47,216		46,313
<b>Closing net assets attributable to Unitholders</b>		<b>11,223,384</b>		<b>10,481,644</b>



 **Financial Statements** continued

**BALANCE SHEET**

AS AT 30 JUNE 2017

		30.06.17		30.06.16	
	Note	£	£	£	£
<b>ASSETS</b>					
<b>Fixed assets</b>					
Investments			11,073,200		10,417,073
<b>Current assets</b>					
Debtors	8	119,054		212,269	
Cash and bank balances	9	300,050		252,467	
<b>Total current assets</b>			<b>419,104</b>		<b>464,736</b>
<b>Total assets</b>			<b>11,492,304</b>		<b>10,881,809</b>
<b>LIABILITIES</b>					
<b>Creditors</b>					
Other creditors	10	(30,881)		(145,641)	
Distribution payable		(238,039)		(254,524)	
<b>Total creditors</b>			<b>(268,920)</b>		<b>(400,165)</b>
<b>Total liabilities</b>			<b>(268,920)</b>		<b>(400,165)</b>
<b>Net assets attributable to Unitholders</b>			<b>11,223,384</b>		<b>10,481,644</b>



## Notes to the Financial Statements as at 30 June 2017

**1 ACCOUNTING POLICIES**

The principal accounting policies, which have been applied in both the current and prior year, are set out below:

**(a) Basis of accounting**

These financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland, and in accordance with the Statement of Recommended Practice "Financial Statements of UK Authorised Funds", issued by the Investment Association, (previously the Investment Management Association), (the "IA SORP") in May 2014.

**(b) Recognition of revenue**

Dividends on quoted equities and preference shares are recognised when the securities are quoted ex-dividend.

Interest on bank and other cash deposits is recognised on an accruals basis.

Revenue is recognised gross of any withholding taxes but excludes attributable tax credits.

**(c) Treatment of stock and special dividends**

The ordinary element of stock dividends received in lieu of cash dividends is credited to capital in the first instance followed by a transfer to revenue of the cash equivalent being offered and this forms part of the distributable revenue.

Special dividends are reviewed on a case by case basis in determining whether the dividend is to be treated as revenue or capital. Amounts recognised as revenue will form part of the distributable revenue. Amounts recognised as capital are deducted from the cost of the investment. The tax treatment follows the treatment of the principal amount.

**(d) Treatment of expenses**

All expenses, except for those relating to the purchase and sale of investments, are charged initially against revenue on an accrual basis.

**(e) Allocation of revenue and expenses to multiple unit types**

Any revenue or expense not directly attributable to a particular unit type will normally be allocated pro-rata to the net assets of the relevant unit type, unless a different allocation method is more appropriate. In this trust the pro-rata allocation to the net assets method are used.

All unit types are ranked pari passu and have no particular rights or terms attached, including rights on winding up.

**(f) Taxation**

Corporation tax is provided at 20% on taxable revenue, after deduction of allowable expenses.

Where overseas tax has been deducted from overseas revenue that tax can, in some instances, be set off against the corporation tax payable, by way of double tax relief and where this is the case the offset is reflected in the tax charge.

Deferred tax is provided using the liability method on all timing differences arising on the treatment of certain items for taxation and accounting purposes, calculated at the rate at which it is anticipated the timing differences will reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax asset can be offset.

**(g) Distribution policy**

Surplus revenue after taxation, as disclosed in the financial statements, after adjustment for items of a capital nature, is distributable to unitholders. Any deficit of revenue is deducted from capital. For the purpose of calculating the distribution, all expenses are charged to capital. This may cause capital erosion and constrain capital growth.

Interim distributions may be made at the AFM's discretion. Final distributions are made in accordance with the COLL Sourcebook.

Distributions which have remained unclaimed by unitholders for more than six years are credited to the capital property of the Trust.



**1 ACCOUNTING POLICIES** *continued***(h) Basis of valuation of investments**

Quoted investments are valued at closing bid prices excluding any accrued interest in the case of fixed interest securities, on the last business day of the accounting period. Accrued interest on fixed interest securities is included in revenue.

**(i) Exchange rates**

Transactions in foreign currencies are recorded in sterling at the rate ruling at the date of the transactions. Assets and liabilities expressed in foreign currencies at the end of the accounting period are translated into sterling at the closing exchange rates ruling on that date.

**(j) Forward Currency Contracts**

A forward currency contract obligates the Trust to receive or deliver a fixed quantity of foreign currency at a specified price on an agreed future date. These contracts are valued at the forward rate and the Trust's equity therein, representing unrealised gains or losses on the contracts, is included in the Balance Sheet. Realised and unrealised gains and losses are included in Net capital gains/(losses) within the Statement of Total Return.

**(k) Going concern**

The AFM is of the opinion it is appropriate to continue to adopt a going concern basis in the preparation of the accounts as the assets of the Trust consist predominantly of securities which are readily realisable and, accordingly, the Trust has adequate financial resources to continue in operational existence for the foreseeable future.

**(l) Use of estimates and judgements**

In the application of the Trust's accounting policies as detailed above, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available from other sources. The estimates and associated assumptions are based on historical experience and other factors considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

No critical judgements have been made by management in applying the accounting policies of the entity. Furthermore, there are no significant areas of estimation uncertainty affecting the carrying amounts of assets and liabilities at reporting date.

**(m) Dilution levy**

The AFM may require a dilution levy on the purchase and redemption of units if, in its opinion, the existing unitholders (for purchases) or remaining unitholders (for redemptions) might otherwise be adversely affected. For example, the dilution levy may be charged in the following circumstances: where the scheme property of the Trust is in continual decline; where the Trust is experiencing large levels of net purchases relative to its size; on 'large deals' (typically being a purchase or redemption of units to a size exceeding 5% of the Net Asset Value of the relevant Trust); in any case where the AFM is of the opinion that the interests of existing or remaining unitholders require the imposition of a dilution levy.

**(n) Cash flow statement**

The Trust is exempt from the requirement to produce a cash flow statement in accordance with Section 7 of FRS 102.

**2 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS**

In pursuing the investment objectives a number of financial instruments are held which may comprise securities and other investments, cash balances and debtors and creditors that arise directly from operations. Derivatives, such as futures or forward currency contracts, may be utilised for hedging purposes to reduce or eliminate risks or to enhance the performance of the Trust.

**2 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS** *continued*

The AFM has in place a Risk Management Policy and Procedures Document ('RMPPD') that sets out the risks that may impact a Trust and how the AFM seeks, where appropriate, to manage, monitor and mitigate those risks, and in particular those risks associated with the use of derivatives. The RMPPD sets out both the framework and the risk mitigations operated by the AFM in managing the identified risks of the Funds. The AFM requires that the appointed investment manager to the Trust has in place its own governance structure, policies and procedures that are commensurate with its regulatory obligations and the risks posed by the Funds managed.

The main risks from the Trust's holding of financial instruments, together with the AFM's policy for managing these risks, are set out below:

**i. Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. This includes counterparty and issuer risk. Cash is held with reputable credit institutions and credit risk is assessed on a regular basis.

**ii. Interest rate risk**

Interest rate risk is the risk that the value of the Trust's investments will fluctuate as a result of interest rate changes. The value of fixed interest securities may be affected by changes in interest rates, either globally or locally. Changes in the rate of return in one asset class may influence the valuation basis of other classes. The amount of revenue receivable from floating rate securities and bank balances or payable on bank overdrafts will be affected by fluctuations in interest rates.

Investment in collective investment schemes exposes the Trust to indirect interest rate risk to the extent that they invest in interest bearing securities, the returns from which will be affected by fluctuations in interest rates.

Numerical disclosure of the interest rate risk profile is made in note 14i of the Notes to the Financial Statements of the Trust.

**iii. Foreign currency risk**

Foreign currency risk is the risk that the sterling value of investments will fluctuate as a result of exchange rate movements. Assets denominated in currencies other than sterling will provide direct exposure to currency risk as a consequence of the movement in foreign exchange rates when calculating the sterling equivalent value. Investment in collective investment schemes may provide indirect exposure to currency risk as a consequence of the movement in foreign exchange rates.

Numerical disclosure of the foreign currency risk profile is made in note 14ii of the Notes to the Financial Statements of the Trust.

**iv. Liquidity risk**

The main liability of the Trust is the cancellation of any units that investors want to sell. Investments may have to be sold to fund such cancellations should insufficient cash be held at the bank to meet this obligation.

To reduce liquidity risk the AFM will ensure that a substantial portion of the Trust's assets consist of readily realisable securities.

All financial liabilities are payable in one year or less, or on demand.

**v. Market price risk**

Market price risk is the risk that the value of the Trust's financial instruments will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises primarily from uncertainty about the future prices of financial instruments that the Trust holds.

Market price risk represents the potential loss the Trust may suffer through holding market positions in the face of price movements. The Trust's investment portfolios are exposed to price fluctuations, which are monitored by the AFM in pursuance of the investment objectives and policies. The risk is generally regarded as consisting of two elements – stock specific risk and market risk. Adherence to investment guidelines and avoidance of excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective, spreading exposure across a broad range of global stocks can mitigate market risk.

Numerical disclosure of the market price sensitivity is made in note 14iv of the Notes to the financial statements of the Trusts.



**2 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS** *continued***vi. Fair value of financial assets and financial liabilities**

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

**vii. Derivatives**

Disclosure is made in note 14iii of the Notes to the Financial Statements of the Trust.

**viii. Counterparty risk**

Counterparty risk is the risk of entering into an arrangement with a counterparty, which is itself subject to financial risks which may affect its ability to trade as a going concern.

Certain transactions in securities that the Trust enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Trust has fulfilled its obligations. As part of its due diligence process, the AFM undertakes a review of the controls operated over counterparties by the Investment Manager, including initial and ongoing due diligence and business volumes placed with each counterparty. In cases which are dependent on the counterparty settling at the transaction's maturity date, the AFM has policies in place which set out the minimum credit quality expected of a market counterparty or deposit taker at the outset of the transaction.

Cash and bank balances consist primarily of cash. It is included in "Cash and bank balances" on the balance sheet.

**ix. Capital Management**

The capital structure of the Trust at year end consists of the net assets of the Trust attributable to unitholders.

The Trust is not subject to any external capital requirements.

To fund redemptions as they arise, the AFM will ensure a substantial portion of the Trust's assets consist of readily realisable securities.

The Trust has not employed any significant levels of leverage during the year.



Notes to the Financial Statements as at 30 June 2017 *continued*

**3 NET CAPITAL GAINS/(LOSSES)**

	30.06.17 £	30.06.16 £
The net capital gains during the year		
Non-derivative securities	1,372,400	10,646
Transaction charges	(2,179)	(456)
<b>Net capital gains</b>	<u>1,370,221</u>	<u>10,190</u>

**4 REVENUE**

	30.06.17 £	30.06.16 £
Deposit interest	-	2
Franked UK dividends	374,968	417,641
Overseas dividends	24,351	12,758
Real Estate Investment Trust revenue	30,388	24,251
<b>Total revenue</b>	<u>429,707</u>	<u>454,652</u>

**5 EXPENSES**

	30.06.17 £	30.06.16 £
<b>Payable to the AFM, associates of the AFM, and agents of either of them:</b>		
AFM's periodic charge	<u>135,469</u>	<u>135,501</u>
	135,469	135,501
<b>Payable to the Trustee, associates of the Trustee, and agents of either of them:</b>		
Trustee's fees	18,088	16,800
Safe custody and other bank charges	5,904	6,433
	<u>23,992</u>	<u>23,233</u>







Notes to the Financial Statements as at 30 June 2017 *continued*

	30.06.17 £	30.06.16 £
<b>5 EXPENSES</b> <i>continued</i>		
<b>Other expenses</b>		
Administration fees	6,484	(339)
Audit fees	7,416	7,200
Regulatory costs	17,052	185
Legal and professional fees	20,110	-
Other expenses	2,245	324
Registration fees	5,353	603
	<u>58,660</u>	<u>7,973</u>
<b>Total expenses</b>	<u>218,121</u>	<u>166,707</u>

	30.06.17 £	30.06.16 £
<b>6 TAXATION</b>		
(a) Analysis of the tax charge in the year		
Corporation tax	-	-
Current tax charge (note 6b)	-	-
Deferred tax – origination and reversal of timing differences (Note 6c)	-	-
<b>Total taxation</b>	<u>-</u>	<u>-</u>

(b) Factors affecting current tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (30.06.16: 20%). The differences are explained below:

	30.06.17 £	30.06.16 £
Net revenue before taxation	211,413	287,945
Corporation tax at 20%	42,283	57,589
Movement in excess management expenses	37,581	28,491
Revenue not subject to corporation tax	(79,864)	(86,080)
Corporation tax charge	<u>-</u>	<u>-</u>
<b>Total tax charge (note 6a)</b>	<u>-</u>	<u>-</u>



**6 TAXATION** *continued*

(c) Provision for deferred tax

There is no provision required for deferred taxation at the Balance Sheet date in the current or prior year.

(d) Deferred tax

At the year end there is a potential deferred tax asset of £330,991 (30.06.16: £293,410) in relation to surplus management expenses. It is unlikely that the Trust will generate sufficient taxable profits in the future to utilise this amount and, therefore, no deferred tax asset has been recognised in the current or prior period.

**7 DISTRIBUTIONS**

The distributions take account of revenue received on the issue of units and revenue deducted on the cancellation of units and comprise:

	30.06.17 £	30.06.16 £
Interim	156,129	159,071
Final	268,245	282,385
Add: Revenue deducted on cancellation of units	9,665	52,261
Deduct: Revenue received on issue of units	<u>(10,580)</u>	<u>(43,916)</u>
Net distribution for the year	<u>423,459</u>	<u>449,801</u>

Details of the distributions per Unit are set out in the distribution tables on pages 31 - 32.

	30.06.17 £	30.06.16 £
Net revenue after taxation	211,413	287,945
Expenses charged to capital	218,121	166,707
Net movement in revenue account	3	-
Tax relief from capital	<u>(6,078)</u>	<u>(4,851)</u>
Net distribution for the year	<u>423,459</u>	<u>449,801</u>





Notes to the Financial Statements as at 30 June 2017 *continued*

8 DEBTORS	30.06.17 £	30.06.16 £
Sales awaiting settlement	-	127,547
Accrued revenue		
Franked UK dividends	83,027	77,194
Real Estate Investment Trust revenue	6,926	1,772
Overseas dividends	7,410	5,756
Prepaid expenses	21,351	-
Income tax recoverable	340	-
<b>Total debtors</b>	<u>119,054</u>	<u>212,269</u>
9 CASH AND BANK BALANCES	30.06.17 £	30.06.16 £
Bank balances:		
Capital account	120,905	252,467
Revenue account	179,145	-
<b>Bank balances</b>	<u>300,050</u>	<u>252,467</u>
10 CREDITORS	30.06.17 £	30.06.16 £
Purchases awaiting settlement	-	122,053
Accrued expenses		
Amounts payable to the AFM, associates of the AFM and agents of either of them: AFM's periodic charge	<u>11,652</u>	<u>10,220</u>
	11,652	10,220
Amounts payable to the Trustee, associates of the Trustee and agents of either of them:		
Custodian and Trustee fees	5,585	4,906
Transaction charges	-	1,119
	<u>5,585</u>	<u>6,025</u>
<i>Other accrued expenses</i>		
Administration charge	1,000	-
Auditor's remuneration	7,416	7,200
Regulatory costs	30	-
Other expenses	66	49
Registration fees	5,132	94
Other expenses	<u>13,644</u>	<u>7,343</u>
<b>Total creditors</b>	<u>30,881</u>	<u>145,641</u>



**11 RELATED PARTY TRANSACTIONS**

Host Capital Limited ('the AFM') is regarded as a related party by virtue of having the ability to act in respect of the operations of the Trust.

Management fees, legal and professional fees and printing costs paid to Host Capital Limited ('the AFM') are disclosed in note 4 and amounts due at the year end are disclosed in note 9 of the Trust.

The monies received by the AFM through the issue of units and paid on cancellation of units are disclosed in the Statement of Change in Net Assets Attributable to unitholders of the Trust. The amounts outstanding at the year end in respect of these monies are shown in notes 8 and 10 of the Trust.

As part of the investment strategy, the Trust may from time to time hold shares in other collective investment schemes managed by the same Investment Advisor or for which Host Capital Limited is also the AFM. At the balance sheet date the value of the holdings that the AFM and Investment Advisor have in common as at 30 June 2017 is Nil (2016: Nil).

**12 UNITHOLDER FUNDS**

The unit types and annual management charges applicable to the Trust are as follows:

<b>Trust</b>	<b>Types</b>	<b>%</b>
HC Charteris Premium Income Fund	Institutional Accumulation	1.00
	Institutional Income	1.00
	Retail Accumulation	1.50
	Retail Income	1.50

The net asset value of each unit class, the net asset value per unit and the number of units in each unit class are given in the Fund Information of the Trust.

**13 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

There were no contingent liabilities or outstanding commitments at the balance sheet date (30.06.16: nil).





**14 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS**

The main risks from the Trust's holding of financial instruments, together with the AFM's policy for managing these risks, are disclosed in note 2 of the Notes to the Financial Statements on pages 19, 20 and 21. Disclosures specific to the Trust are made below in relation to numeric disclosure of interest rate risk, numeric disclosure of foreign currency risk, and derivatives.

*i. Interest rate risk*

	30.06.17 £	30.06.16 £
Floating rate assets:		
Pounds sterling	300,050	252,467
	<u>300,050</u>	<u>252,467</u>
Assets on which interest is not paid:		
Pounds sterling	11,192,254	10,625,228
US Dollar	-	4,114
	<u>11,192,254</u>	<u>10,629,342</u>
Liabilities on which interest is not paid:		
Pounds sterling	268,920	400,165
	<u>268,920</u>	<u>400,165</u>
<b>Net assets</b>	<u><b>11,223,384</b></u>	<u><b>10,481,644</b></u>

The floating rate financial assets and liabilities comprise variable rate securities, bank balances and bank overdraft positions which earn or pay interest at rates linked to the Bank of England base rate or its international equivalents index-linked securities that earn interest at rates linked to the UK Retail Prices Index (RPI).



14 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS *continued*

*ii. Currency risk*

	30.06.17 £	30.06.16 £
Currency:		
Pounds sterling	11,223,384	10,477,530
US Dollar	-	4,114
<b>Net assets</b>	<b>11,223,384</b>	<b>10,481,644</b>

*iii. Derivatives*

The Trust may use derivatives for efficient portfolio management purposes; the Net Asset Value may therefore, at times, increase in volatility and the risk profile may change. However, it is the Investment Manager's intention that the Trust, owing to its portfolio composition or the portfolio management techniques used, will not have volatility over and above the general market volatility of the markets of its underlying investments.

The Trust did not hold any derivatives at year end (as set out in the Portfolio Statement), (2016: none).

*iv. Market price risk*

Market price risk is the risk that the value of the Trust's financial instruments will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises primarily from uncertainty about the future prices of financial instruments that the Trust holds.

Market price risk represents the potential loss the Trust may suffer through holding market positions in the face of price movements. The Trust's investment portfolio's are exposed to price fluctuations, which are monitored by the ACD in pursuance of the investment objectives and policies. The risk is generally regarded as consisting of two elements - stock specific risk and market risk. Adherence to investment guidelines and avoidance of excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective, spreading exposure across a broad range of global stocks can mitigate market risk.

If the market prices were to increase or decrease by 1%, the NAV would increase or decrease by £110,732 (30.06.16: £104,171) if all other variables remained constant.





**15 PORTFOLIO TRANSACTION COSTS**

Commissions and taxes as a % of average net assets.

	2017	2016
Commission	0.01%	0.03%
Taxes	0.09%	0.25%

Purchases 30 June 2017	Base currency	Value (base)	Commissions	%	Tax	%
Listed equity transactions	GBP	2,565,694	625	0.0244%	9,365	0.3650%

Total purchases including commissions and taxes £2,575,684.

Sales 30 June 2017	Base currency	Value (base)	Commissions	%	Tax	%
Listed equity transactions	GBP	3,294,172	1,225	0.0372%	474	0.0144%

Total sales including commissions and taxes £3,292,473.

Purchases 30 June 2016	Base currency	Value (base)	Commissions	%	Tax	%
Listed equity transactions	GBP	5,329,000	1,696	0.0318%	25,654	0.4814%

Total purchases including commissions and taxes £5,356,350.

Sales 30 June 2016	Base currency	Value (base)	Commissions	%	Tax	%
Listed equity transactions	GBP	5,946,839	1,958	0.0329%	1,158	0.0195%

Total sales including commissions and taxes £5,943,723.

Purchases and sales of the other asset types incurred zero commission costs during the year ended 30 June 2017.

The average portfolio dealing spread for the year ended 30 June 2017 is 0.0624% (2016: 0.0638%). This spread is the difference between the values determined respectively by reference to the bid and offer prices of the investments.



**16 VALUATION OF FINANCIAL INSTRUMENTS**

**Fair values**

Section 11 of FRS 102 and 3. 100 of the IA SORP establish a hierarchy to be used to estimate the fair value of investments that are publicly traded or whose fair value can be reliably measured if they are not publicly traded. The levels of the hierarchy are as follows:

- (1) Fair value based on a quoted price for an identical instrument in an active market.
- (2) Fair value based on the price of a recent transaction.
- (3) Fair value based on a valuation technique using observable market data.
- (4) Fair value based on a valuation technique that relies significantly on non-observable market data.

The following table presents the funds investment assets by level within the valuation hierarchy as at 30 June 2017.

	Level 1 £	Level 2 £	Level 3 £	Level 4 £	Total £
Equity Investments	11,073,200	-	-	-	11,073,200

The following table presents the funds investment assets by level within the valuation hierarchy as at 30 June 2016.

	Level 1 £	Level 2 £	Level 3 £	Level 4 £	Total £
Equity Investments	10,417,073	-	-	-	10,417,073

**17 RECONCILIATION OF MOVEMENT IN UNITS**

Unit Class	I Acc	I Inc	R Acc	R Inc
Opening number of Units	716,035	4,907,456	34,838	3,914,429
Units created	517,746	110,190	1,611	107,377
Units cancelled	(479,189)	(557,588)	-	(104,721)
Closing number of Units	754,592	4,460,058	36,449	3,917,085







DISTRIBUTION TABLE FOR THE YEAR ENDED 30 JUNE 2017 - IN PENCE PER UNIT

Interim

Group 1 Units purchased prior to 1 July 2016

Group 2 Units purchased on or after 1 July 2016 to 31 December 2016

'I' Accumulation Units	Net Revenue	Equalisation	Paid 28.02.17	Paid 29.02.16
Group 1	2.1399	-	2.1399	1.9804
Group 2	0.2446	1.8953	2.1399	1.9804

'I' Income Units	Net Revenue	Equalisation	Paid 28.02.17	Paid 29.02.16
Group 1	1.6381	-	1.6381	1.5804
Group 2	0.0963	1.5418	1.6381	1.5804

'R' Accumulation Units	Net Revenue	Equalisation	Paid 28.02.17	Paid 29.02.16
Group 1	2.0821	-	2.0821	1.9378
Group 2	1.1036	0.9785	2.0821	1.9378

'R' Income Units	Net Revenue	Equalisation	Paid 28.02.17	Paid 29.02.16
Group 1	1.5877	-	1.5877	1.5419
Group 2	0.9288	0.6589	1.5877	1.5419



Notes to the Financial Statements as at 30 June 2017 *continued*

DISTRIBUTION TABLE FOR THE YEAR ENDED 30 JUNE 2017 - IN PENCE PER UNIT *continued*

**Final**

Group 1 Units purchased prior to 1 January 2017

Group 2 Units purchased on or after 1 January 2017 to 30 June 2017

'I' Accumulation Units	Net Revenue	Equalisation	Payable 31.08.17	Paid 31.08.16
Group 1	3.8236	-	3.8236	3.7145
Group 2	3.8236	0.0000	3.8236	3.7145

'I' Income Units	Net Revenue	Equalisation	Payable 31.08.17	Paid 31.08.16
Group 1	2.8852	-	2.8852	2.9206
Group 2	2.8852	0.0000	2.8852	2.9206

'R' Accumulation Units	Net Revenue	Equalisation	Payable 31.08.17	Paid 31.08.16
Group 1	3.7126	-	3.7126	3.6254
Group 2	3.3589	0.3537	3.7126	3.6254

'R' Income Units	Net Revenue	Equalisation	Payable 31.08.17	Paid 31.08.16
Group 1	2.7918	-	2.7918	2.8407
Group 2	1.2292	1.5626	2.7918	2.8407

**EQUALISATION**

Equalisation applies only to units purchased during the distribution period (Group 2 Units). It represents the accrued revenue included in the purchase price of the units. After averaging it is returned with the distribution as a capital repayment. It is not liable to Income Tax but must be deducted from the cost of the units for Capital Gains Tax purposes.





## General Information

**Head Office:** 73 New Bond Street, London W1S 1RS.

**Address for Service:** The Head Office is the address in the United Kingdom for service on the Trust of notices or other documents required or authorised to be served on it.

**Base Currency:** The base currency of the Trust is pounds sterling.

**Minimum Investment:** The minimum initial and subsequent investment is £1,000 in respect of retail and institutional unit types, except for Monthly Savings Plans, where the minimum monthly contribution is £100 per month.

### TYPES OF UNITS

The Trust can issue different types of units in respect of the Trust.

Holders of income units are entitled to be paid the revenue attributable to such units in respect of each annual or interim accounting period.

Holders of accumulation units are not entitled to be paid the income attributable to such units, but that income is retained and accumulated for the benefit of unitholders and is reflected in the unit price.

### VALUATION POINT

The valuation point of the Trust is 12 noon on each business day. Valuations may be made at other times under the terms contained within the Prospectus.

### BUYING AND SELLING UNITS

Units may be bought directly from the Registrar or through a professional advisor or intermediary. Application forms may be obtained from the Registrar. The Registrar will accept orders for the purchase and sale of units on normal Business Days between 9.00am and 5.00 pm.

### PRICES

The prices of all units are published on the website ([www.hostcapital.com](http://www.hostcapital.com)).



**General Information** *continued*

**UNITHOLDING**

At the balance sheet date the following unitholders held in excess of 20% of the units in issue of the Trust.

**HC Charteris Premium Income Fund**

West Dorset District Council	40.47% (30.06.16: 37.81%)
Walpole St Andrew Nominees Limited	28.77% (30.06.16: 33.53%)

**OTHER INFORMATION**

The Trust Deed, Prospectus, Key Investor Information Document and the most recent interim and annual reports may be inspected at the office of the AFM which is also the Head Office. Copies of these may be obtained upon application and, excepting the Instrument of Incorporation, can be found on our website, [www.hostcapital.com](http://www.hostcapital.com), by following the link 'Fund Information'.

Unitholders who have any complaints about the operation of the Trust should contact the AFM or the Trustee in the first instance. In the event that a unitholder finds the response unsatisfactory they may make their complaint direct to the Financial Ombudsman Service at South Quay Plaza, 183 Marsh Wall, London E14 9SR.

**DATA PROTECTION ACT**

Unitholders' names will be added to a mailing list which may be used by the AFM, its associates or third parties to inform investors of other products by sending details of such products. Unitholders who do not want to receive such details should write to the AFM requesting their removal from any such mailing list.

**RISK WARNING**

An investment in a unit trust should be regarded as a medium to long term investment. Investors should be aware that the price of units and the income from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.



