Investment Objective

The fund aims to provide a balance of income and capital growth by investing predominantly in a portfolio of investment grade company debt securities, government bonds, supranational bonds, asset backed securities, mortgage backed securities and other collective investment schemes issued in any geographical area. The fund is permitted to invest into derivatives for investment purposes and for the purposes of efficient portfolio management.

Manager commentary as at 30 September 2016

Following the Brexit vote-induced spread widening, it has been a one-way street tighter during July and August. Even with a more cautious month of September, corporate bonds outperformed government bonds by a fairly wide margin. Credit was supported by the Bank of England’s announcement of corporate bond purchases starting in September. Cash flows into corporate bonds continued as the search for yield intensified on depressed government rates. Security selections, including a few high-yield names, from energy-related issuers, global banks, and communications companies lifted result restive to the index. Positions in high currency bonds by emerging market entities also added value. The autumn will bring a variety of developments, including Bank of Japan announcements, Federal Reserve meetings, the Italian referendum and not least, the US election. In Europe, we worry that the possible loss of the Italian referendum might lead to risk aversion and broad sell-offs in peripheral government debt and bank corporates. We continue to emphasise to mid-curve, mid-quality corporate paper as our key risk overweight.

Fund performance

Five years cumulative performance

Cumulative performance (%) | 3 mth | 6 mth | 1 yr | 3 yr | 5 yr
--- | --- | --- | --- | --- | ---
Fund | 0.4 | 1.9 | 2.7 | 6.6 | 17.4

Discrete annual calendar performance (%)

--- | --- | --- | --- | --- | ---
3.2 | -1.3 | 6.9 | -0.9 | 9.2 | 1.9

Top ten holdings

1. US Treasury 1.625% 2026 | 1.0%
2. US Treasury 1.125% 2021 | 1.0%
3. AT&T Inc 3.4% 2027 | 1.0%
4. Anheuser-Busch InBev 3.65% 2026 | 0.9%
5. UK Treasury 5% 2025 | 0.8%
6. Goldman Sachs 2.73% 2020 | 0.8%
7. JP Morgan Chase & Co 2.295% 2021 | 0.7%
8. Morgan Stanley 3.875% 2024 | 0.7%
9. BNP Paribas 2.625% 2027 | 0.7%
10. RBS Group 5.125% 2024 | 0.7%

Asset allocation

- Investment Grade Corporate Bonds: 86.6%
- High Yield Debt: 9.5%
- Government Bonds: 5.5%

Manager

Ken Buntrock
Loomis Sayles

Fund facts

- Fund manager start date: 10 April 2012
- Units: Class L Acc/ Class L Inc/ Class L Gross Acc/ Class L Gross Inc
- Currency classes: GBP
- Inception date of the fund: 06 April 2009
- Fund size: £595m (at 30 September 2016)
- Mandate size: £1018m
- Yield: Distribution 2.6% (Underlying 1.6%)
- Distribution dates: Jan, Apr, Jul, Oct
- Source: Financial Express

A negative asset allocation weight may appear in this fund, please ask your Partner for a copy of Investment Bulletin – 4 for an explanation of this.

There is a currency hedging program in place that aims to limit the risk arising from the currency movements between GBP and other currencies.

Unit Trust Yields: The distribution yield reflects the amounts that might be expected to be distributed over the next twelve months. The underlying yield reflects the annualised income net of expenses of the fund (calculated in accordance with relevant accounting standards). Both are calculated as a percentage of the mid-market unit price as at 31 October 2016 and are based on a snapshot of the portfolio on that date. They do not include any preliminary charge and investors may be subject to tax on distributions. The distribution yield is higher than the underlying yield due to the impact of the expenses that are charged to capital. This has the effect of increasing the distributions for the year by 0.8% and constraining the fund’s capital performance to an equivalent extent.

Your St. James’s Place Partner can provide you with a copy of Understanding the balance between risk and reward, which explains investment risk and our risk ratings in more detail.

The ‘St. James’s Place Partnership’ and the titles ‘Partner’ and ‘Partner Practice’ are marketing terms used to describe St. James’s Place representatives. Members of the St. James’s Place Partnership represent St. James’s Place Wealth Management plc, which is authorised and regulated by the Financial Conduct Authority. St. James’s Place Unit Trust Group Ltd is authorised and regulated by the Financial Conduct Authority. St. James’s Place Unit Trust Group Ltd Registered Office: St. James’s Place House, 1 Tetbury Road, Cirencester, Gloucestershire, GL7 1FP, United Kingdom. Registered in England Number 947844.