

DIVERSIFIED
INCOME FUND

Designed to provide an attractive
immediate income with rising income
and higher capital values over time

CCLA

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The need for an alternative to cash deposits

Interest rates are expected to remain at very low levels for the foreseeable future. In contrast, inflation is forecast to rise, the increase accelerated by the sharp fall in the value of the pound. For cash investors higher inflation permanently reduces the real value of both income and capital.

Even in a less damaging environment cash is a poor choice for longer term investments. Returns are limited to the repayment of the original investment and a modest income which fluctuates in line with short term interest rates and which can never truly grow.

As well as poor returns cash investors also face higher risks following the introduction of the Bank Recovery and Resolution Directive. In times of crisis there is now the risk of ‘bail-in’, with the threat both to income and capital.

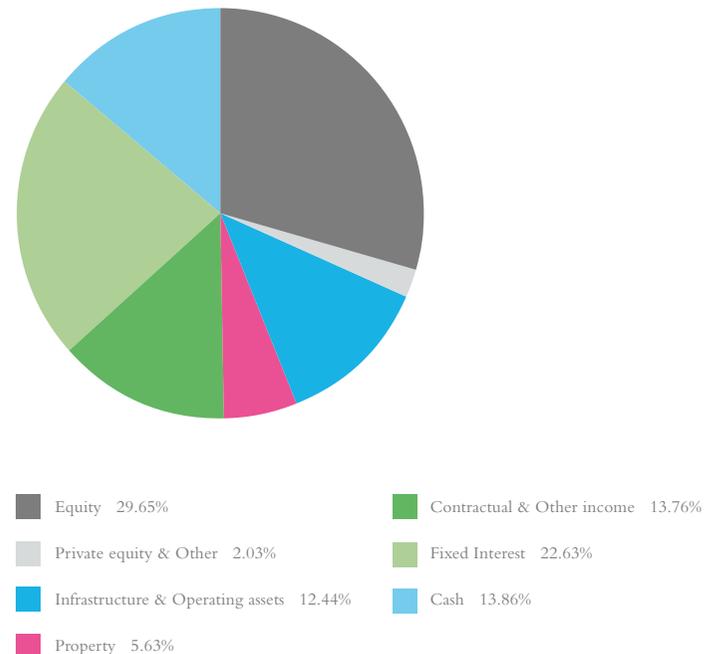
Investors seeking stronger returns therefore have to look beyond cash deposits – but which assets should they choose? History shows us that asset choice is the most important contributor to long-term performance and so making the wrong choice can have unexpected and unwanted effects on values. For those investors seeking improved returns and for whom risk control is essential, the prudent path is to take a portfolio approach, holding not one, but many assets and actively changing the blend to reflect evolving conditions.

A carefully constructed diversified portfolio spreads risk efficiently by investing in a range of assets whose characteristics complement each other, creating a balance of risk and return no single asset class fund can give. The result is that for any given level of return, volatility – the exposure to the day to day fluctuations in values – is consistently lower. The Diversified Income Fund has been structured with this lower volatility as one of its key aims.

The asset universe – a wide range of opportunity

The Fund can invest in a wide range of assets, actively changing the allocation to reflect the expected economic environment. The list of available assets is long and varied and includes conventional choices such as property and equities in the UK and overseas but the less common too, such as infrastructure, with three main areas of focus – civil (toll roads, ports and similar), social (such as care and nursing homes, doctors’ surgeries and student accommodation), environmental and energy-related (including new forms of energy generation and efficiency, forestry and renewables). These should provide an attractive income and when combined with holdings in equities and bonds, a powerful source of risk diversification.

ASSET ALLOCATION



Source: CCLA as at 31 March 2017

An attractive income, rising over time

The only true sources of a growing income are real assets such as equities and property which are directly linked to rising activity in the economy. In contrast, income from fixed interest investments does not change whilst yields on cash can vary but do not rise on a consistent basis. The key to achieving an attractive and dependable income is therefore to combine the right asset mix with top quality individual holdings which are themselves able to support higher income payments in the future.

Responsible investment, an integral part of the process

We avoid companies with high governance risks because poor governance can destroy value and cause lasting reputational damage for all concerned. We seek to avoid investing in companies with the poorest governance, whilst in others, where we identify risks, we work to reduce them. We support these policies with an active voting programme. We believe that responsible investment supports returns and reduces the risks which conventional financial analysis cannot see.

A pooled fund approach, the sensible choice

Using a pooled fund has a number of important advantages for investors. It brings a consistent approach to fund management across all the assets in the portfolio, ensuring that structure, strategy and tactics are always consistent. Within the portfolio costs are better controlled, whilst charges are kept down. Administration is efficient with a single investment report providing transparency to reporting that multiple asset exposures simply do not have.

ABOUT THE FUND

Objective

The Fund aims to provide income and the potential for capital growth over the long-term from an actively managed diversified portfolio.

Distribution dates

Income will be distributed quarterly at the end of February, May, August and November to investors holding units on the last day of the preceding December, March, June and September.

Minimum subscription

The minimum initial investment is £1 million. The minimum additional investment is £25,000.

Fees

The Annual Management Charge (AMC) is 0.60%, the estimated Ongoing Charges Figure (OCF) is 0.75%. For investors which acquire units before the 31st March 2018 there will be a discount of 0.15% on the AMC which expires on the 31st March 2019.

The OCF includes our fees and is the total cost of managing your investments.

Spread

The Fund has no entry or exit charges and is single priced with a dilution levy. The rate or amount of the dilution levy will depend on the mix of assets in the relevant sub-fund and the transaction costs applying to them. In respect of the Fund, the estimated dilution levy charged by the ACS Manager based on future projections will be between 0% and 1.5% of the price of a unit, this charge arising on all deals. It is therefore not possible to predict the dilution levy accurately. In such circumstances if a dilution levy is not made then this may restrict the future growth of the sub-fund(s).

Dealing

Daily. Settlement proceeds will usually be paid within two working days after trade date.

Structure

The Fund is a sub-fund of the CCLA Authorised Contractual Scheme (ACS) and is a NURS.

The CCLA Authorised Contractual Scheme is an FCA regulated tax transparent fund which has been constituted as a co-ownership scheme. As a consequence of this the Fund will be treated as tax transparent for the purpose of income and/or gains by the relevant tax authorities. Each investor should take appropriate professional advice as to the tax treatment of their investment in the Fund.

A NURS is a Non-UCITS Retail Scheme, in accordance with the FCA Rules, an authorised fund which is neither a UCITS scheme nor a qualified investor scheme.

Depositary and Custodian

HSBC Bank Plc, 8 Canada Square, London EC14 5HQ

ACS Manager

CCLA Fund Managers Limited, Senator House, 85 Queen Victoria Street, London EC4V 4ET.

Investment Manager

CCLA Investment Management Limited, Senator House, 85 Queen Victoria Street, London EC4V 4ET.

Eligible Investors

As the Fund is an ACS, it is only marketable to Eligible Investors.

These are investors who are UK tax resident and also one of the following:

- (a) A professional ACS investor (being a person who is a professional client for the purpose of the Markets in Financial Instruments Directive);
- (b) A large ACS investor (being a person who in exchange for units makes a payment of not less than £1 million or contributes property with a value of not less than £1 million);
- (c) A person who already properly holds units in the Fund.

In addition to the above, there is currently only one sub-fund which is principally targeted at local authorities, public sector organisations and charities who meet the eligibility criteria. Since only gross paying units are available, investors must be able to receive income payments gross.

Investment in the Fund is for Public Sector Eligible Investors only and may not be suitable for all investors. If you are in any doubt about the suitability of the Funds to your needs you should seek appropriate professional advice.

Past Performance is not an indicator of future performance. The value of investments and the income derived from them may fall as well as rise. Investors may not get back the amount originally invested and may lose money. Any forward looking statements are based upon our current opinions, expectations and projections. We undertake no obligations to update or revise these. Actual results could differ materially from those anticipated.

The Fund is authorised in the United Kingdom and regulated by the Financial Conduct Authority as an Alternative Investment Fund and a NURS established under a Scheme approved by H M Treasury under Section 11 of the Trustee Investments Act 1961 and is subject to provisions of a Trust Deed dated 2 December 2016. The Fund operates as an open-ended Fund under Part IV of the schedule to the Financial Services and Markets Act 2000 (Exemption) Order 2001.

Investments in the Fund and the Fund are covered by the Financial Services Compensation Scheme (FSCS). However, the Manager may also pay fair compensation on eligible claims arising from its negligence or error in the management and administration of the Fund.

CCLA Investment Management Limited is the manager of the Diversified Income Fund.

CCLA

www.ccla.co.uk

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Client Service Freephone: 0800 022 3505

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