

Diversified Fixed Interest Fund Factsheet

This document provides you with information about the Fund.

The City Financial Diversified Fixed Interest Fund seeks to achieve an above-average income primarily from bond and bond related investments, while retaining the flexibility to mitigate the risks to capital. The manager's macro views are implemented through funds, exchange traded funds, investment trusts, currencies, and derivatives, drawing on a strong fund research capability.

SUITABILITY

- The Fund is suitable for investors seeking an above-average level of bond income that is also managed with a view to mitigating the losses periodically associated with investments in higher-risk bonds.
- The Fund can be used as an income-oriented solution in its own right or at the heart of a range of investment selections.

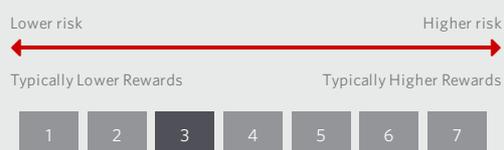
KEY BENEFITS OF INVESTMENT STRATEGY

- The Fund benefits from the manager's flexibility to invest across the entire bond universe, according to his macro views, to deliver a healthy income.
- The combination of qualitative and quantitative inputs to all stages of the process enhances the rigour of the analysis.
- The manager's ability to use derivatives to undertake hedging activities helps him mitigate downside risk.

RISK COMMENTARY

The Fund's KIID Synthetic Risk and Reward Indicator (SRRI) is 3. This is a regulatory measurement that is, where possible, calculated from the volatility of the Fund's weekly performance over a five-year period. A score of 3 means the Fund's historic volatility is between 2% and 5%.

The Fund's realised standard deviation is close to the bottom end of this range. The Fund is focused on delivering an attractive level of income, paid monthly, and tends to have a bias to higher yielding assets. As such, there can be some capital volatility and we would expect the Fund to exhibit higher volatility than the IMA £ Strategic Bond sector average.



KEY FUND FACTS

Inception date:	07 March 2014
Manager:	Mark Harris
Fund size:	£21.2m
Fund domicile:	United Kingdom
IA sector:	IA £ Strategic Bond
Share class types:	Acc and Inc
XD dates:	31 March and 30 September
Dividend distribution:	Last day of each month
Charge details:	see OTHER FUND FACTS table

FUND DESCRIPTION

Formal investment objective

The investment objective is to provide a high level of income, primarily through investment in a concentrated portfolio of fixed interest securities. Although the main objective is to provide a high level of income, consideration will also be given to capital return.

Investment team

City Financial's Multi Asset Team brings together experts at macro-economic research, fund management and fund analysis. Their range of experience and expertise sets the team apart from their peers.

Mark Harris, Head of the Multi Asset team, has managed the Fund since inception. He previously managed over £1 billion in assets at New Star Asset Management (subsequently Henderson), gaining recognition through a range of industry awards and ratings.

Investment philosophy

The manager believes that he can deliver above-average income over a market cycle, while mitigating capital volatility, by investing across the bond universe. He rotates the Fund's holdings through different sectors and regions according to his macroeconomic outlook and his expectations for fixed income markets. He will use derivatives, including options and futures, to help protect the portfolio from tail (extreme) or event risk.

Investment process

The approach is based on rigorous quantitative and qualitative assessments of the macro-economic environment, market conditions and funds. Quantitative models, investment bank research and independent analysis are key inputs in formulating top-down expectations and identifying where they are not reflected by bond market pricing. The research encompasses analysis of global economic growth, central bank policies, debt dynamics and market valuations. The analysis and findings are challenged and tested at a monthly team strategy meeting.

In assessing funds for the portfolio, we use a range of systems to undertake style analysis and attribution. We then undertake face-to-face manager interviews to extend our analysis. These interviews also inform us of the manager's understanding of the risks being run and the portfolio construction process. A report is produced explaining past returns, with supporting evidence, and forecasting future performance. Fund selection is reviewed at a formal weekly team meeting.

Portfolio construction and risk controls

Risk is at the heart of the process, in line with the manager's desire to mitigate the risk to capital alongside the delivery of an attractive income. Risk is monitored continuously for underlying positions, which are subject to stop losses, and for the portfolio in aggregate, to ensure the avoidance of unintended risks. Derivatives will also be used to adjust the portfolio's risk profile, including to manage duration and to hedge specific exposures.

The Fund's sector allocations are dependent upon the top-down analysis process. The manager seeks to identify diversified sources of income where possible. The team models the expected income from the portfolio to set a steady monthly payment level that reflects the market opportunity.

MANAGER COMMENTARY

Global equity markets posted a muted performance in January 2017, oscillating around zero. The MSCI World Index was up 0.61%, the MSCI Europe ex UK Index was up 0.39%, the S&P 500 Index was flat, gaining 0.07%, while the MSCI UK Index fell 0.56%. This was not the case for Asia and Emerging Markets as the MSCI AC Asia ex Japan Index was up 4.29% and the MSCI Emerging Markets Index gained 3.58%.

High yield posted negative returns with the Markit iBoxx US \$ Liquid Investment Grade Index down 1.61%, the Markit iBoxx EUR Liquid Corporates Large Cap Index was down 0.35% and the Markit iBoxx GBP Liquid Corporates Large Cap Index fell 1.29%. European high yield posted positive returns. The Markit iBoxx EUR Liquid High Yield Index was up 0.99% while the Markit iBoxx US \$ Liquid High Yield Index fell 0.69%.

US yields were unchanged with the US government 10-year bond yield up 1bps at 2.45%, while UK government 10-year bond yields were up 18bps at 1.42%. German government 10-year bond yields were up 23bps at 0.44%.

The Dollar Index ended the month at 99.512 (down 2.64%) while GBP/USD ended the month at 1.258 (up 1.94%).

Brent crude ended the month 3.32% lower and gold finished January up 5.07% (both in US dollar terms).

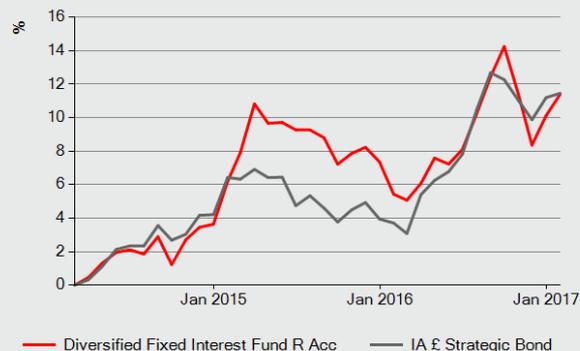
We continue to see broad real economic improvements that are globally gaining traction. Many now believe that significant fiscal policy changes will create the conditions for change and a sustainable recovery.

However, markets have priced in a lot of short-term good news and we feel that some caution is warranted. It is evident that rotations are occurring between sectors but headline indices have remained resilient, and could suffer some shorter-term setbacks.

We still feel investors are not fully recognising the realities of the very unique features of this cycle, together with the underlying dynamics. There are a number of very evident risks, but our primary focus is on the trade rhetoric that Trump offers and the possibility that the Fed policy pushes the US dollar on to extreme strength, and tightens financial conditions. Equally, we must be very cognisant of the winners and losers of Trump's policies.

It is our opinion that any near-term setbacks will create good opportunities to build exposure in unloved areas that offer excellent medium-term rewards. If the Fed keeps the US dollar from sustained strength, we feel that all the under-owned plays will offer the best prospects, which include value equities, financials and commodities.

PERFORMANCE VS IA £ STRATEGIC BOND



	1 year to 31/01/2017	1 year to 31/01/2016	1 year to 31/01/2015	1 year to 31/01/2014	1 year to 31/01/2013
Fund (%)	5.66	-0.72	-	-	-
IA Sector (%)	7.48	-2.56	-	-	-
Quartile	3	1	-	-	-

CUMULATIVE PERFORMANCE (%)

	1 year	3 years	5 years
Fund (%)	5.66	-	-
IA Sector (%)	7.48	-	-
Quartile	3	-	-

NOTE:

The EFA OPM Fixed Interest Fund (launched 23 December 2003) merged into the Diversified Fixed Interest Fund on 8 March 2014. Please contact City Financial for further details of earlier past performance of the EFA OPM Fixed Interest Fund.

All data sourced from Morningstar Direct, Bloomberg and City Financial as at 31/01/2017, unless otherwise stated.

The information contained in this document should not be construed as investment advice, it is not an invitation or inducement to any person to purchase shares in our funds. Fund performance excludes the effect of initial charge and assumes any income reinvested net of UK tax. All information in this factsheet is current at the time of publication and may be changed in the future. Past performance is not a guide to future performance. The value of shares and the income generated from them can fall as well as rise and are not guaranteed and investors may not get back the amount originally or subsequently invested. Values may be affected by fluctuations in exchange rates where assets of our funds are denominated in currencies other than sterling. Issued by City Financial Investment Company Limited. Registered office is 62 Queen Street, London, EC4R 1EB. Authorised and regulated by the Financial Conduct Authority with registered number 189302. This Fund is not offered, sold or distributed in the United States or to US persons.

FINANCIAL INFORMATION

Prices

Class R Acc	174.48p
Class R Inc	91.06p
Class A Acc	104.98p
Class A Inc	100.61p
Total net assets	£21.2m

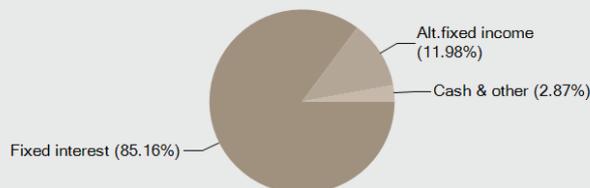
OTHER FUND FACTS

ISIN - Class R Acc	GB00BHD62Q31
ISIN - Class R Inc	GB00BHD62R48
ISIN - Class A Acc	GB00BZ1KRB31
ISIN - Class A Inc	GB00BZ1KRC48
Fund type	UCITS
Dealing and valuation frequency	Daily
Valuation time	7:00 am
Accounting year-end	30 September
Settlement	T+4
Base currency	GBP (Sterling)
OCF* (%)	CI R: 1.25, CI A: 1.72
Initial charge (%)	0.00 (all share classes)
Performance fee	None
Depositary	BNY Mellon Trust & Depositary (UK) Limited
Registrar	Capita Financial Administrators

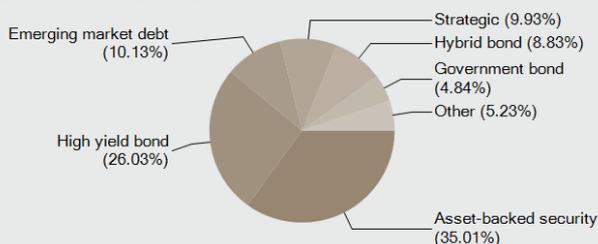
*On-going charge figure (OCF) - combines the Annual Management Charge (AMC) with the Fund's other expenses in running the fund, e.g. custodian fees, but excludes portfolio transaction costs.

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ASSET ALLOCATION



FIXED INTEREST BY TYPE



TOP 10 HOLDINGS

Angel Oak Multi-Strategy Income Fund	Asset-backed security
Schroder Monthly High Income Fund	High yield bond
Volta Finance	Alt. fixed income
TwentyFour Select Monthly Income Fund	Asset-backed security
VPC Specialty Lending	Alt. fixed income
Artemis High Income Fund	Hybrid bond
AXA Global High Income Fund	High yield bond
Aberdeen Global Brazil Bond Fund	Emerging market debt
Toro	Asset-backed security
Real Estate Credit Investments	Asset-backed security

Please note figures may not add up to 100% due to rounding. The figures above are rounded to second decimal place.

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