

Reporting date: 31 December 2018

Investment objective and policy

The objective of the investment fund is to provide consistent long term capital and income growth. The investment policy for achieving the objective is for the Manager to invest primarily in equity securities. There is no restriction to economic securities or geographical areas, but the manager considers the objective can be achieved from investing predominantly in UK equities and seeking undervalued overseas opportunities.

Managers' commentary

Portfolio re-positioning

• The Unit Trust in 2018 was repositioned from a concentrated portfolio of 23 high yielding large capitalisation investments solely listed in the UK to 47 companies offering a more diverse global exposure. The Unit Trust going forward will invest in between 45-55 companies, primarily across UK listed equities in order to maintain close dialogue with company management teams. However up to 25% of the portfolio can be listed overseas as we believe some of the best opportunities can surface globally at different times and in different industries. Currently the portfolio has 11% invested overseas. We look to invest in companies for the long-term meaning the portfolio will have a low turnover.

• We are bottom up investors believing some of the best opportunities lie in under-covered companies and so we will invest right across the market capitalisation spectrum currently with an emphasis on small capitalisation companies.

• We aim to find high quality companies trading at appealing valuations. Intrinsically we have a value bias often looking for opportunistic and contrarian investments but also strive to find growth at a reasonable price.

• We employ a concise, simple and transparent strategy that we believe can outperform over the longterm; seeking to find companies with strong balance sheets, with little to no debt, consistent, defensive earnings streams, healthy cash generation, growing dividends and stable market positions. We maintain close dialogue with company management teams and where possible will often spend time at their facilities, meeting employees and continuing to develop our understanding of each business.

Market and Portfolio commentary

Consistent Opportunities Unit Trust fell 6.7% TR in the month of December against the FTSE All Share fall of 3.7% TR and the FTSE250 fall of 5.1% TR. Global markets continued their risk off sentiment in the month with US markets suffering their worst Christmas period since the great recession of 1931.

Stockmarkets in 2018 suffered significant falls, the FTSE100 finishing the year down more than 12% in capital terms, the Euro Stoxx 50 index lower by 15% and the Chinese markets lower by over 25%. Almost every major asset class fell in the year, a rare occurrence and volatility returned to markets. Whilst 2018 was a year to forget, we see opportunity going into 2019 on a valuation basis.

Continued macro uncertainties will persist globally however we take comfort in the underlying portfolio's financial metrics below and believe now provides a good entry point for the longterm investor which offers exposure to undercovered, quality companies which we believe to be undervalued.

Portfolio metrics*

Forward P/E	12.59x
Forecast EPS growth 2019	10.00%
Forecast DPS growth 2019	12.00%
Portfolio Yield	3.20%
Avg Dividend Cover	3.00x
Avg Net Debt / EBITDA	0.97x

*Reuters Eikon Smart Estimates

Turning back to the portfolio, Kier Group announced a surprise rights issue after a number of the banks within the consortium that lends to the company decided to make a wholesale decision to remove themselves from this sector entirely and therefore had given notice to Kier Group that certain credit facilities would be withdrawn. As a consequence of this the group will reduce its dividend so that the cover is approximately 5x underlying earnings for 2019. This is being done on a temporary basis and the cover will thereafter reduce to 2.5x going forward. Whilst the company continues to trade well the dilution effect of the rights issue means that earnings per share are forecast to be in the region of 83p for 2019 which suggests that the group is being valued at less than 5x earnings. There is one good thing that comes out of this and that is with the new financial strength the company has post the rights issue it will allow it to bid for more government work and we understand there are a number of frameworks up for tender that the group previously couldn't have gone for.

The positive contributors in the month were Zotefoams (+20%), Focusrite (+7%) and DiscoverIE (+7%). We met with each of these companies in the final Quarter and had positive meetings and continue to believe they are well positioned for 2019.

Finally, we continue to invest in the Fund on a personal level and remain committed to the longterm investment strategy.

Performance data*

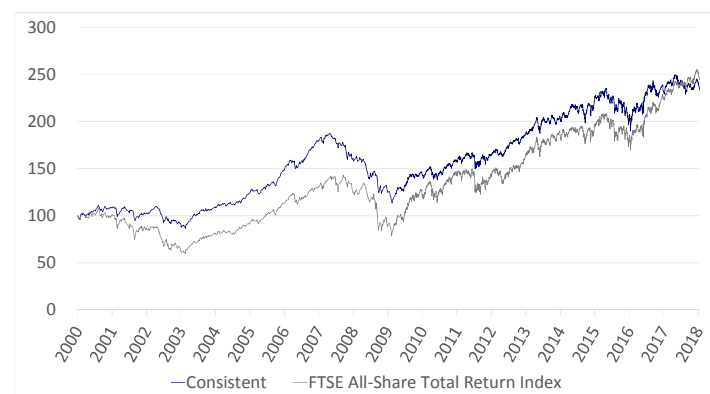
As at 31 December	3 Months	6 Months	1 Year	3 Years	5 Years
Income	-15.6%	-18.8%	-19.6%	-8.8%	-4.3%
Accumulation	-15.6%	-18.8%	-19.6%	-8.9%	-4.3%
FTSE All-Share TR	-10.2%	-10.9%	-9.5%	19.5%	22.1%

Annual**	2018	2017	2016	2015	2014
Income	-0.5%	4.1%	2.7%	5.6%	4.2%
Accumulation	-0.5%	4.2%	2.8%	5.6%	4.3%
FTSE All-Share TR	9.1%	14.9%	3.8%	5.4%	5.6%

*Source: Published prices.

**Annual performance as per published Report and Accounts 31 July.

Relative performance 31 January 2000 to 31 December 2018



The above graph shows the performance of Consistent Unit Trust Income Units with net income reinvested and the FTSE All-Share TR Index. The price of the units and index have been re-based to 100 as at 31 January 2000.

Source: all data sourced from Yealand Administration Limited at the reporting date, unless otherwise stated.

Market capitalisation exposure (%)

	%
£7.5bn +	5.6
£2.5bn to £7.5bn	3.4
£750m to £2.5bn	30.6
£250m to £750m	34.8
< £250m	25.0
Cash	0.6

Source: Bloomberg - Based on current market capitalisation

Top ten holdings

	% of Fund Size
1 Zotefoams	4.07
2 Focusrite	3.85
3 Anexo Group	3.36
4 Discoverie Group	2.94
5 Greggs	2.88
6 Kin & Carta	2.83
7 Hill & Smith	2.73
8 Macfarlane Group	2.59
9 Coats Group	2.57
10 Bodycote	2.56
Total	30.38

The above past performance data is no guide to future performance, the value of units and the income from them may fall as well as rise and is not guaranteed. Returns are shown net of annual management charge, other expenses and net income reinvested.

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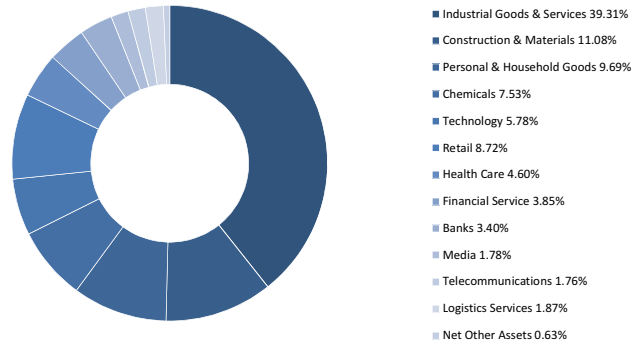
Key Information

Authorised Fund Manager Consistent Unit Trust Management Company Limited

Valuation point	31 December 2018	
Fund size	£8.8m	
No. of holdings	47	
<i>Unit class</i>	<i>Income</i>	<i>Accumulation</i>
Fund size split	£6.0m	£2.8m
Bid price	43.43p	113.3p
Offer price	44.43p	115.9p
Net yield	3.20%	3.20%
Ongoing charges*		
AFM	1.00%	1.00%
Other expenses	0.31%	0.31%
ISIN	GB0002164092	GB0002177581
Bloomberg ticker	CONUNTI LN	CONUNTA LN
KIID risk rating	5	5
Launch date	22 January 1988	
Legal status	UCITS	
Category	Unit Trust	
Domicile	United Kingdom	
Period end dates	Interim 31 January, Final 31 July	
Distribution dates	Interim 31 March, Final 30 September	
Minimum investment	£1,000	
Regular savings	£50	

*The OCF is the total expenses paid by the fund (excluding bank overdraft interest), annualised, against its average net asset value. The OCF will fluctuate as the average net assets and costs change. The OCF is updated following the publication of accounts for the periods ending 31 January and 31 July.

Sector classification of investments



How to buy units in the Fund

The Fund is available through a number of distributors including:

AJ Bell
Charles Stanley Direct
Cofunds
Fidelity Funds Network
Funds Direct
Hargreaves Lansdown
Novia Financial

Other investment information

Recommended minimum
investment horizon:



Risk and reward profile



Contacts

Authorised Fund Manager

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Risk Warning

The value of investments, and the income from them, may fall as well as rise, and is not guaranteed. Consequently an investor may not receive back the amount originally invested. Past performance is not a guide to future performance. Investments denominated in foreign currencies may be impacted by movements in the exchange rates and investments with fixed or floating interest rates by changes in prevailing rates or expectation of future rates.

Disclaimer and Authorisation

Whilst every effort has been made to ensure that the information contained in this document is correct, the directors of Consistent Unit Trust Management Company Limited can take no responsibility for any action taken (or not taken) as a result of the matters considered within it. These views are provided for information purposes only and should neither be construed as constituting investment advice nor be relied on in making an investment decision. The expressions, opinions and recommendations are based on our present understanding of requirements and the current products available in the market place. Any recommendations or illustrations contained herein may be subject to change without notice.

Further information regarding the Fund is available in the full Prospectus, Key Investor Information document and annual/interim report and accounts.

This document is issued and approved by Consistent Unit Trust Management Company Limited, which is authorised and regulated by the Financial Conduct Authority (FCA) a member of the Investment Association.