

# WESLEYAN INTERNATIONAL TRUST

MANAGER'S HALF-YEAR REPORT 2016

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*Manager's Report  
November 2016*

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**James Hubbard, CFA**  
Fund Manager  
Wesleyan International Trust

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\*Collectively, these comprise the Manager's Report



**C. W. Errington, CDir, FloD**  
Chairman  
Wesleyan Unit Trust Managers



**C. Bridge, BSc, FCIPD, FloD, CDir**  
Chief Executive  
Wesleyan Unit Trust Managers



**C. C. Ward, BSc, FIA**  
Director  
Wesleyan Unit Trust Managers



**Martin Lawrence, BSc, ASIP**  
Director  
Wesleyan Unit Trust Managers

# MANAGER'S REPORT

## Trust Review

This is the half-year report for the Wesleyan International Trust that merged into the Wesleyan International Growth Fund on 3 June 2016. Unit holders who previously held units in the Wesleyan International Trust are now unit holders of the Wesleyan International Growth Fund.

Over the period from 1 April 2016 to 3 June 2016 the offer price of units in Series 1 increased by 1.2% to 157.32p, modestly outperforming the FTSE All World index that increased by 1.1% as measured in sterling total return. There was no distribution over the period from 1 April 2016 to 3 June 2016.

As reported to you in the March 2016 full-year report, James Hubbard began managing the Trust at the start of April 2016. James has been involved in the selection of investments made by the fund for a number of years and the team approach has remained very consistent over this period. This can be seen by the low portfolio turnover that is characteristic of our long-term approach.

During the period under review the Trust made only two changes to the fund composition. The first was to sell a small holding in Chemours that we received as a spin-off from DuPont. The second was a timely sale of a holding in Alcoa, after a price spike offered the opportunity to reduce exposure as we considered there to be better investment opportunities elsewhere.

In the period ending 3 June 2016, global stock markets recovered modestly from the sell-off that started in January 2016, although a high degree of concern remained around the lack of global economic growth and elevated debt levels. The stock market recovery was dominated by developed markets at the expense of developing and emerging markets as investors sought safety while commodity price worries remained.

## MANAGER'S REPORT (CONTINUED)

### Trust Outlook

Post the merger date on 3 June 2016, markets have continued to recover despite the political headwinds that followed shortly after – notably when the UK unexpectedly voted to leave the European Union. Five months later the US presidential campaign shocked pollsters again with the surprise election of Donald Trump. News headlines are often sensationalist and, while spikes in volatility often present opportunities for us, it is an important discipline not to trade the portfolio needlessly which we manage through our longer-term investment horizon.

After the US election, expectations of stimulative fiscal policy such as the building of infrastructure like roads and bridges, perhaps at the expense of monetary policy, low interest rates and printing money, has accelerated forecasts of commodity demand growth. However, with inflation comes a greater expectation of interest rate rises from the developed world, particularly the US. The speed and intensity of these rises will be watched very closely by market participants.

In our view, equity valuations continue to be favourable relative to the low yields available on other asset classes. Market volatility is likely to remain higher than usual and we remain watchful for opportunities to invest your capital for the long-term.



**C. Bridge, BSc, FCIPD, FIoD, CDir**

Chief Executive

Wesleyan Unit Trust Managers Limited

22 November 2016

The Manager's investment report, together with the information on the authorised status of the Trust, the objective and policy of the Trust and the information set out on page 14 comprise the Manager's Report.

# GENERAL INFORMATION

## Capital performance

Series 1 units in the Wesleyan International Trust were initially offered in the period 3 July 2000 to 21 July 2000 at a price of 98p. The first valuation was carried out on 24 July 2000. Series 2 units were initially offered on 2 January 2013 with the first valuation taking place on 3 January 2013 at 122.40p. Therefore the unit prices on the dates of valuation have been used as the basis for comparison. The change in the offer price of units in the Trust compared with movements in the FTSE All-World Index is as follows:

	24/07/2000	31/03/2016	03/06/2016	Change	
				From 01/04/2016 to 03/06/2016	Since launch
Unit Offer Price (Series 1)	104.39p	155.45p	157.32p	1.20%	50.70%
– adjusted for distribution	-	-	-	1.20%	39.09%
FTSE All-World Index (\$)	206.00	263.07	266.90	1.46%	29.56%
– £ adjusted	-	-	-	0.44%	35.22%

	03/01/2013	31/03/2016	03/06/2016	Change	
				From 01/04/2016 to 03/06/2016	Since launch
Unit Offer Price (Series 2*)	122.40p	152.25p	154.01p	1.16%	25.83%
– adjusted for distribution	-	-	-	1.16%	24.85%
FTSE All-World Index (\$)	228.48	263.07	266.90	1.46%	16.82%
– £ adjusted	-	-	-	0.44%	30.02%

\*Series 2 units were launched on 2 January 2013 with the first valuation taking place on 3 January 2013. Prior to this date only Series 1 units were in issue.

## GENERAL INFORMATION (CONTINUED)

### Comparative table

	Series 1 units			
	30/09/2016 pence per unit	2016 pence per unit	2015 pence per unit	2014 pence per unit
<b>Change in net assets per unit</b>				
Opening net asset value per unit	149.00	155.98	139.07	129.88
Return before operating charges*	(148.54)	(4.37)	19.62	11.65
Operating charges	(0.46)	(2.61)	(2.71)	(2.46)
Return after operating charges*	(149.00)	(6.98)	16.91	9.19
Closing net asset value per unit	-	149.00	155.98	139.07
Retained distributions on accumulation units	-	0.81	0.61	0.66
*after direct transactions costs <sup>1</sup> of:	-	0.10	0.13	0.09
<b>Performance</b>				
Return after charges	(100.00%)	(4.47%)	12.16%	7.08%
<b>Other information</b>				
Closing net asset value (£)	-	16,852,234	18,304,407	16,973,397
Closing number of units	-	11,310,000	11,735,000	12,204,912
Operating charges**	1.77%	1.79%	1.85%	1.82%
Direct transaction costs	-	0.07%	0.09%	0.07%
<b>Prices</b>				
Highest unit price	155.06p	169.20p	165.41p	147.47p
Lowest unit price	144.74p	129.21p	136.08p	125.77p

<sup>1</sup> Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

\*\* Operating charges figure is at 03/06/2016 due to the share class closing on this date.

## GENERAL INFORMATION (CONTINUED)

	Series 2 units			
	30/09/2016 pence per unit	2016 pence per unit	2015 pence per unit	2014 pence per unit
<b>Change in net assets per unit</b>				
Opening net asset value per unit	145.68	152.91	136.64	127.89
Return before operating charges*	(145.22)	(4.32)	19.28	11.53
Operating charges	(0.46)	(2.91)	(3.01)	(2.78)
Return after operating charges*	(145.68)	(7.23)	16.27	8.75
Closing net asset value per unit	-	145.68	152.91	136.64
Retained distributions on accumulation units	-	0.39	0.21	0.19
*after direct transactions costs <sup>1</sup> of:	-	0.10	0.13	0.09
<b>Performance</b>				
Return after charges	(100.00%)	(4.73%)	11.91%	6.84%
<b>Other information</b>				
Closing net asset value (£)	-	3,889,526	2,928,150	1,127,306
Closing number of units	-	2,670,000	1,915,000	825,000
Operating charges**	1.80%	2.04%	2.09%	2.08%
Direct transaction costs	-	0.07%	0.09%	0.07%
<b>Prices</b>				
Highest unit price	151.84p	166.12p	156.16p	139.61p
Lowest unit price	141.77p	126.64p	133.81p	124.05p

<sup>1</sup> Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

\*\* Operating charges figure is at 03/06/2016 due to the share class closing on this date.

Past performance is not a guide to future performance. The price of units and distributions credited may go down as well as up. Investments in unit trusts should normally be regarded as long-term investments.

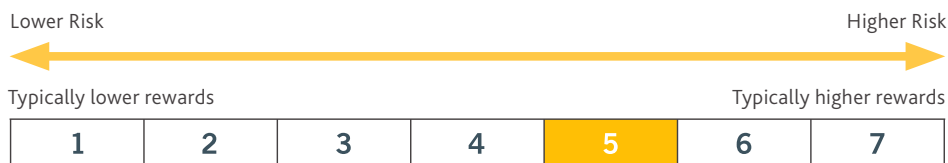


## GENERAL INFORMATION (CONTINUED)

### Investment objective and policy

The aim of the Manager is to maximise long-term capital appreciation from the active management of a diversified global portfolio of securities. Under normal circumstances the emphasis will be on equity shares. However, the Manager reserves the right to invest a portion of the Trust in bonds, other fixed interest securities and convertibles should such investment be deemed advantageous in view of prevailing market conditions, taxation arrangements and Individual Savings Account (ISA) regulations. The Manager also retains the freedom to hedge any currency risk in the Trust when considered appropriate. Capital growth will be sought through various sectors and companies believed to have good growth prospects. The Manager intends that the Trust will at all times be a qualifying investment for Individual Savings Accounts (ISAs).

### Risk and reward profile



- ▶ The risk category is based on the rate the fund's value has moved up and down in the past. The fund's value can be influenced by changes in stock market prices, currencies and interest rates which can be affected by factors such as political and economic events.
- ▶ This is not a guarantee and may not be a reliable indication of the fund's future risk and reward category.
- ▶ A fund in the lowest category does not mean a 'risk free' investment.
- ▶ A fuller explanation of the risk and reward profile of the fund is contained in the fund's Key Investor Information Document (KIID).
- ▶ The Wesleyan International Trust has historically been invested in Equities.

## GENERAL INFORMATION (CONTINUED)

### Taxation of unitholders – Income Tax

- ▶ Distributions by Wesleyan International Trust are made from its income, which consists mainly of dividends received from UK companies in which it invests, less operating expenses and taxation. Distributions paid prior to 6 April 2016 were made with a tax credit at 10%. Distributions paid after this date will not have an attaching tax credit.
- ▶ The only units currently issued are accumulation units and therefore distributions are transferred to the capital account of the Trust. The following notes set out further information for those who pay UK income tax.
- ▶ Where your units are owned within a valid Individual Savings Account (ISA) no further tax is payable by you, the investor.
- ▶ Where the units are held as a direct investment in the Trust, tax credits on the dividend distribution in respect of a period prior to 6 April 2016 are also not recoverable by the Manager. Consequently, for distributions paid prior to 6 April 2016:
  - a) non-taxpayers are not able to claim a refund of the tax credit from HM Revenue & Customs;
  - b) basic rate taxpayers will suffer no further liability; and
  - c) higher or additional rate taxpayers have to account for any further tax payable.
- ▶ From 6 April 2016 the first £5,000 of dividend income for UK resident investors is tax-free. Dividend income in excess of this allowance is subject to income tax at new dividend tax rates for basic, higher and additional rate taxpayers.
- ▶ Tax credits received prior to 6 April 2016 on UK dividends are not reclaimable by Unit Trusts, nor are they required to pay Advance Corporation Tax on their dividend payments to investors. If a trust's management expenses exceed income from loan stocks, bank deposits and foreign dividends, tax relief on the excess is no longer recoverable.

### Taxation of unitholders - Capital Gains Tax

- ▶ Capital Gains Tax can arise in the year in which a holding of units in the Trust is sold. However, where the units are held within an ISA, no Capital Gains Tax is payable. Where the units are not held through an ISA, you should disclose your gain on your tax return and you may be liable to Capital Gains Tax depending on your personal circumstances.

## STATEMENT OF TOTAL RETURN (UNAUDITED)

### FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	30/09/2016		30/09/2015	
	£	£	£	£
Income				
Net capital gains/(losses)		142,915		(3,138,104)
Revenue	174,662		292,931	
Expenses	(64,246)		(187,549)	
Interest payable and similar charges	-		(8)	
Net revenue before taxation	110,416		105,374	
Taxation	(13,479)		(18,023)	
Net revenue after taxation		96,937		87,351
<b>Total return before distributions</b>		<b>239,852</b>		<b>(3,050,753)</b>
Distributions		-		(87,355)
<b>Change in net assets attributable to unitholders from investment activities</b>		<b>239,852</b>		<b>(3,138,108)</b>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (UNAUDITED)

### FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	30/09/2016		30/09/2015	
	£	£	£	£
<b>Opening net assets attributable to unitholders</b>		<b>20,741,760</b>		<b>21,232,557</b>
Amounts receivable on issue of units	238,067		749,197	
Amounts payable on cancellation of units	(21,229,064)		(330,549)	
Amounts receivable on merger*	9,385		-	
		(20,981,612)		418,648
Change in net assets attributable to unitholders from investment activities (see Statement of total return above)		239,852		(3,138,108)
Retained distribution on accumulation units		-		87,355
<b>Closing net assets</b>		<b>-</b>		<b>18,600,452</b>

\*This fund merged into the International Growth Fund (A & B Class) on the 3 June 2016.

# BALANCE SHEET (UNAUDITED)

AS AT 30 SEPTEMBER 2016

	30/09/2016		31/03/2016	
	£	£	£	£
<b>Assets</b>				
Investments		-		20,232,178
Current assets:				
Debtors	22,787		42,641	
Cash and bank balances	-		576,037	
Total assets		22,787		20,850,856
<b>Liabilities</b>				
Creditors:				
Bank overdraft	(14,150)		-	
Other creditors	(8,637)		(109,096)	
Total liabilities		(22,787)		(109,096)
<b>Net assets attributable to unitholders</b>		-		20,741,760

This report was approved by the Directors of Wesleyan Unit Trust Managers Limited on 22 November 2016 and signed on their behalf by:

C.W. Errington



Chairman

Clive Bridge



Chief Executive

# NOTES TO THE TRUST'S FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

## Accounting policies

### **Basis of preparation**

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of investments, in compliance with the Financial Conduct Authority's (FCA) Collective Investment Schemes sourcebook ("COLL"). They have been prepared in accordance with the Scheme Prospectus, applicable UK accounting standards, Trust Deed and in accordance with Statement of Recommended Practice (SORP) for Financial Statements of Authorised Funds issued by the Investment Association (formerly the Investment Management Association) in May 2014.

The activities of the Wesleyan International Trust were transferred to a new Wesleyan authorised unit trust scheme on 3 June 2016 and subsequently the Trust will be wound up. As a result its financial statements have been prepared on a basis other than going concern. The assets and liabilities of this Trust have been recorded at their realisable value and therefore no adjustments were required to reduce assets to their realisable value. No liabilities have been recorded for costs of the termination of the Trust as the intention is that the Trust will not bear any such costs which may arise. The prior year comparative figures are prepared on a going concern basis. The principal accounting policies, which have been applied consistently throughout the period, where necessary, have been updated to include any policies which are now considered significant given the presentation of the financial statements as at 30 September 2016 on a basis other than going concern.

On 8 March 2016, the Financial Reporting Council issued 'Amendments to FRS 102 - Fair value hierarchy disclosures'. The amendments must be adopted for accounting periods beginning on or after 1 January 2017, but, as is permitted, the Fund has early adopted the amendments in these financial statements.

The introduction of SORP 2014 and FRS 102 has not resulted in any changes to the format or any restatement of values in the financial statements.

# MANAGER AND ADVISERS

<b>Manager:</b>	Wesleyan Unit Trust Managers Limited Colmore Circus Birmingham B4 6AR
<b>Directors:</b>	C.W. Errington, C Dir, FloD (Chairman) C. Bridge, BSc, FCIPD, FloD, CDir (Chief Executive)* C.C. Ward, BSc, FIA* M.Lawrence, BSc, ASIP*
<b>Trustee</b>	HSBC Bank plc 8 Canada Square London E14 5HQ
<b>Registrar:</b>	International Financial Data Services Limited PO Box 9033 Chelmsford CM99 2WQ
<b>Independent Auditors:</b>	PricewaterhouseCoopers LLP Atria One 144 Morrison Street Edinburgh EH3 8EX
<b>Legal Advisers to the Manager:</b>	Eversheds LLP Senator House 85 Queen Victoria Street London EC4V 4JL

\* The following changes to the board of Wesleyan Unit Trust Managers came into effect on 21 April 2016: C. Bridge appointed as Chief Executive. C. Ward stepped down as Chief Executive and became Director. M. Lawrence appointed to the board of Wesleyan Unit Trust Managers as Director.

Wesleyan International Trust is an authorised unit trust within the meaning of the Financial Services and Markets Act 2000. It is categorised as a UCITS scheme. The Manager, Trustee and Independent Auditors are authorised and regulated by the Financial Conduct Authority.

If you would like this document in Braille, large print or audio format, please contact 0345 351 2352.

**Wesleyan Unit Trust Managers Limited**

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WI-REP-2-11/16

