

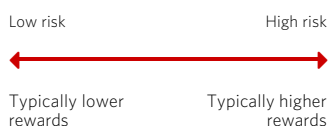
City Financial Absolute Equity Fund

A fundamental long/short equity fund

Fund facts

Inception date	March 2008
Manager	David Crawford, Ade Roberts
Manager since	10 March 2008
Fund size (31/01/2019)	£183.3m
Index	Broad UK Index
Benchmark	3 month GBP LIBOR
Base currency	GBP
Fund type	UCITS
Fund domicile	United Kingdom
Registered countries	United Kingdom, Switzerland
Dealing and valuation frequency	Daily
Valuation time	7:00am
Settlement	T+4
Share class types	Acc and Inc
Ex-dividend dates	30 April and 31 October
Accounting year-end	30 April
Administrator	Link Fund Administrators
Custodian/Depository	BNY Mellon (International) Limited

Risk category



The Fund's risk category shows the Synthetic Risk and Reward Indicator (SRRI). This is a regulatory measurement that is, where possible, calculated from the volatility of the Fund's weekly performance over a five-year period.

Fund objective

The City Financial Absolute Equity Fund (the "Fund") seeks to achieve positive absolute returns over rolling 36-month periods through a fundamental long/short strategy.

The Fund invests mainly in a portfolio of equities and equity-related instruments. From time to time, cash, near cash and non-UK securities may be held.

This is a summary of the Fund's investment objective as outlined in the Fund's Prospectus.

Fund overview

Investment approach: The Fund aims to deliver positive absolute returns in all market environments through an active, unconstrained long/short equity portfolio expressed through a fundamental bottom-up approach.

Investment philosophy: The Manager aims to deliver attractive risk-adjusted returns in different market conditions by identifying mispriced equities which create the opportunity to buy attractively valued stocks and sell overpriced stocks. Positions are established in names where a catalyst will result in the mispricing being corrected.

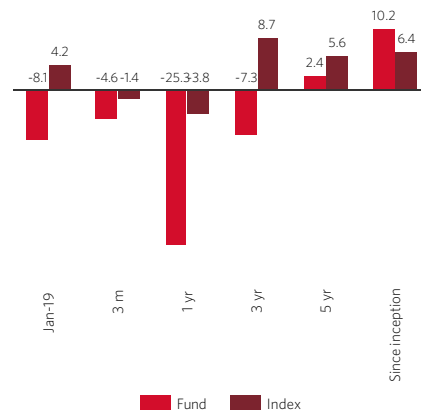
Investment process: The Fund's investment process is bottom-up, based on fundamental company analysis, and takes a long-term view of the quality of a business. The investment team conducts approximately 300 meetings each year, supported by specialist broker research. Positions are sized based on liquidity and absolute return opportunity.

Key risks

The value of investments may fluctuate, causing stock prices to fall as well as rise, and investors may not get back the original amount invested. The Fund invests primarily in UK equities, and share prices can rise or fall due to a number of factors affecting applicable stock markets. The Fund may use derivatives in an attempt to reduce risk, reduce costs, and to generate additional income. Investing in derivatives carries the risk of reduced liquidity, substantial loss and increased volatility in adverse market conditions.

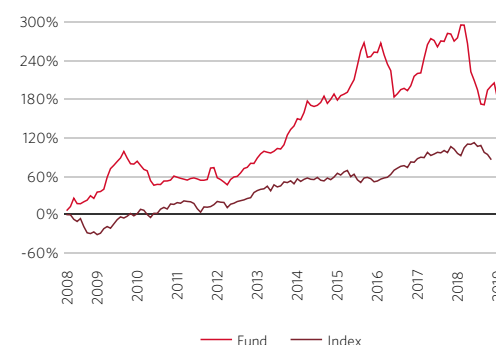
Fund performance (31 January 2019)

% Returns GBP



Note: 3-year, 5-year and since inception performance is annualised.

Cumulative performance (since inception)



Discrete annual performance (% returns GBP)

	01 Jan 18 - 31 Dec 18	01 Jan 17 - 31 Dec 17	01 Jan 16 - 31 Dec 16	01 Jan 15 - 31 Dec 15	01 Jan 14 - 31 Dec 14
Fund	(17.6)	17.4	(10.7)	22.7	20.9
Index	(9.5)	13.1	16.8	1.0	1.2

Past performance is not a reliable indicator of future results.

Source: City Financial, Bloomberg and Morningstar Direct.

Notes: Fund performance represents the I Acc Shares. Index performance represents the Broad UK Index (GBP). Investors in other Share Classes should contact City Financial for historical performance.

Performance since inception

Annualised return	10.2%
Annualised volatility (ex post)	15.0%
Annualised Sharpe ratio	0.61
Annualised alpha	9.9%
Beta (ex post)	(0.04)
Correlation to Broad UK Index (ex post)	(0.04)

Performance trailing 3 years (01 Feb 16 - 31 Jan 19)

Annualised return	(7.3%)
Annualised volatility (ex post)	17.2%
Annualised Sharpe ratio	(0.46)
Annualised alpha	(1.7%)
Beta (ex post)	(0.64)
Correlation to Broad UK Index (ex post)	(0.35)

Key statistics

Volatility fund (ex ante)	18.0%
VaR fund (ex ante 99% 1 day)	2.9%
Beta to Broad UK Index (ex ante)	(0.75)
Correlation with Broad UK Index (ex ante)	(0.48)
Volatility Broad UK Index (ex ante)	13.1%
VaR Broad UK Index (ex ante 99% 1 Day)	2.1%

Fund contribution

Direction	Contribution
Long	5.2%
Short	(12.3%)
Net	(7.1%)

Contribution concentration

Concentration	Contribution
Top 5 Long Positions	3.2%
Top 5 Short Positions	1.4%
Top 10 Long Positions	4.5%
Top 10 Short Positions	1.7%

Performance summary

The City Financial Absolute Equity Fund (the "Fund") fell 8.1% in January 2019 (Class I Acc).

The short book detracted 12.3%, while the long book contributed 5.2%.

The top three positive contributors were long positions in Goldman Sachs Group and Mips Ab, and a short position in Financials.

The top three negative contributors were short positions in the Healthcare sector and a long position in Staffline Group Plc.

Investment commentary

The market reversed a large part of the Q4 2018 losses in the first month of the year, with major indices rising 12-14% from Christmas Eve until the end of January 2019. We recognised the oversold nature of the market prior to Christmas and had started to buy various stocks, but the subsequent rally pushed many names away from buying territory. Within the market there were even bigger moves, for example technology stock Netflix rose over 50% in just over two weeks. Volatility works both ways and rapid large moves are, in general, difficult for most market participants.

The sudden move pushed the Fund's gross exposure and overall risk higher, which was subsequently reduced to under 300% by 6 February 2019. We had added to some short positions as the discrepancy between 'value' and 'growth' stretched. An analogy could be an elastic band which was stretched very hard up to September 2018, then it sprang back, and now has been stretched again; not quite to September 2018 levels, but still pretty extreme.

The Fund's short positions fit into four baskets. Accounting/balance sheet red flags, business model/structural issues, unjustified valuation and peak cyclicals. The unjustified valuation basket is currently the largest and most painful in rising markets. We are looking to balance these four baskets in order to generate increased short book alpha. The long book is pregnant with medium-term value.

Top three contributors

Instrument	Direction	Sector	Region	Contribution
Goldman Sachs Group Inc	Long	Financials	US	1.7%
Mips Ab	Long	Consumer discretionary	Sweden	0.5%
Financials	Short	Financials	United Kingdom	0.5%

Bottom three contributors

Instrument	Direction	Sector	Region	Contribution
Healthcare	Short	Healthcare	US	(1.3%)
Healthcare	Short	Healthcare	US	(1.1%)
Staffline Group Plc	Long	Industrials	United Kingdom	(0.9%)

The performance summary discusses listed equity positions.

All contribution figures are estimated, unaudited and calculated gross of fees at the fund level.

In July 2017, the interest rate used to calculate the annualised Sharpe ratio and annualised alpha was changed from UK treasury bill 3 month to 3-month LIBOR GBP as, with effect from 20 July 2017, the Bank of England discontinued UK treasury bill 3 month data.

Long contributors

Top five

Instrument	Contribution
Goldman Sachs Group Inc	1.7%
Mips Ab	0.5%
Hargreaves Lansdown Plc	0.4%
Duerr AG	0.4%
Dunelm Group Plc	0.3%

Bottom five

Instrument	Contribution
Staffline Group Plc	(0.9%)
Findel Plc	(0.4%)
Cabot Energy	(0.2%)
Zooplus AG (GY)	(0.2%)
Provident Financial Plc	(0.2%)

Short contributors

Top five

Instrument	Contribution
Financials	0.5%
Industrials	0.3%
Consumer discretionary	0.3%
Information technology	0.2%
Consumer discretionary	0.1%

Bottom five

Instrument	Contribution
Healthcare	(1.3%)
Healthcare	(1.1%)
Consumer discretionary	(0.9%)
Information technology	(0.7%)
Energy	(0.6%)

Contribution analysis

Sector	Long	Short	Total
Communication services	(0.2%)	(0.4%)	(0.6%)
Consumer discretionary	1.4%	(2.0%)	(0.6%)
Consumer staples	0.0%	(0.1%)	(0.1%)
Energy	0.4%	(1.1%)	(0.7%)
Financials	2.7%	(0.2%)	2.5%
Healthcare	0.1%	(3.2%)	(3.1%)
Industrials	0.1%	(0.8%)	(0.7%)
Information technology	0.2%	(3.6%)	(3.4%)
Materials	0.1%	(0.4%)	(0.3%)
Real estate	0.4%	(0.5%)	(0.1%)
Utilities	(0.0%)	0.0%	(0.0%)
Other*	0.0%	0.0%	0.0%

Region	Long	Short	Total
North America	1.7%	(7.4%)	(5.7%)
Europe ex UK	2.4%	(3.3%)	(0.9%)
United Kingdom	1.2%	(1.9%)	(0.6%)
Japan	0.0%	0.3%	0.3%
Asia Pacific ex Japan	(0.2%)	0.0%	(0.2%)
Other*	0.0%	0.0%	0.0%

Market cap	Long	Short	Total
Small (< \$0.5bn)	1.5%	(0.2%)	1.3%
Mid (\$0.5 - 2.5bn)	1.4%	(0.0%)	1.4%
Large (\$2.5 - 7.5bn)	0.6%	(3.1%)	(2.5%)
Mega (> \$7.5bn)	2.0%	(9.0%)	(7.0%)
Other*	(0.2%)	0.0%	(0.2%)

Total contribution by market cap



Total contribution by region



*Includes equities with no sector, market cap or country classification, and all instruments other than equities or swaps.
All contribution figures are estimated, unaudited and calculated gross of fees at the fund level.

Current fund positioning (% NAV)

Direction	Exposure
Long equity exposure	144.9%
Short equity exposure	(179.6%)
Gross equity exposure	324.5%
Net equity exposure	(34.7%)

Equity exposures reflect the value of equities and underlying equities for Contract for Differences. Warrants, loan notes or debt instruments held as a result of corporate actions and pre-equity IPO exposure are excluded, unless material to fund exposure. For internal purposes, gross exposure excludes equity positions that are in the late stages of acquisition and have a low risk of deal break. The manager has subsequently reduced Gross exposure to below 300% since month end.

Position concentration (% NAV)

Positions	Exposure
Top 5 Long Stocks	28.9%
Top 5 Short Stocks	(24.7%)
Top 10 Positions (% of NAV)	53.6%
Top 25 Positions (% of NAV)	106.6%

Top 10 equity positions (% NAV)

Long equity positions

Instrument	Exposure
Ten Entertainment Group	9.0%
Findel Plc	6.5%
Arrow Global Group Plc	4.8%
Provident Financial Plc	4.4%
International Personal Finance	4.1%
Mycelx Technologies Corp	3.9%
Europris Asa	3.8%
Encavis AG	3.7%
Takkt AG	3.6%
Zooplus AG (GY)	3.3%

Short equity positions

Instrument	Exposure
Information technology	(6.8%)
Industrials	(5.1%)
Consumer discretionary	(4.4%)
Healthcare	(4.3%)
Consumer staples	(4.1%)
Industrials	(4.0%)
Healthcare	(3.8%)
Information technology	(3.7%)
Information technology	(3.6%)
Financials	(3.5%)

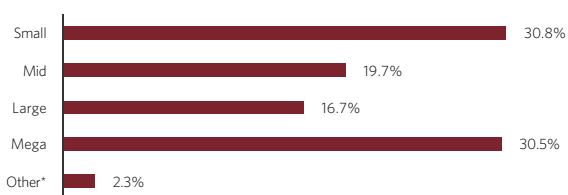
Exposure analysis

Sector	Long	Short	Net
Communication services	1.1%	(10.3%)	(9.2%)
Consumer discretionary	41.5%	(26.0%)	15.5%
Consumer staples	0.8%	(8.8%)	(7.9%)
Energy	10.2%	(8.6%)	1.6%
Financials	26.5%	(13.6%)	12.9%
Healthcare	11.5%	(24.5%)	(12.9%)
Industrials	24.9%	(26.1%)	(1.2%)
Information technology	5.3%	(47.4%)	(42.1%)
Materials	8.7%	(8.0%)	0.7%
Real estate	5.7%	(6.4%)	(0.8%)
Utilities	6.1%	0.0%	6.1%
Other*	2.6%	0.0%	2.6%

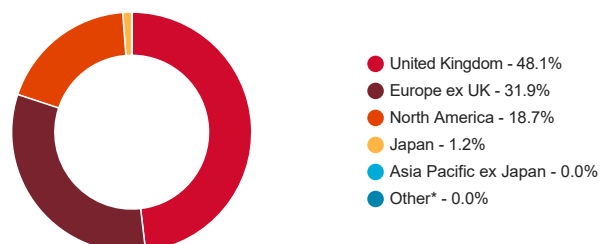
Region	Long	Short	Net
United Kingdom	88.0%	(68.2%)	19.8%
Europe ex UK	53.7%	(49.8%)	3.8%
North America	3.1%	(57.5%)	(54.4%)
Japan	0.0%	(4.0%)	(4.0%)
Asia Pacific ex Japan	0.1%	0.0%	0.1%
Other*	0.0%	0.0%	0.0%

Market cap	Long	Short	Net
Small (< \$0.5bn)	97.0%	(2.9%)	94.1%
Mid (\$0.5 - 2.5bn)	39.1%	(24.8%)	14.4%
Large (\$2.5 - 7.5bn)	2.4%	(51.7%)	(49.2%)
Mega (> \$7.5bn)	(4.9%)	(94.2%)	(99.1%)
Other*	11.2%	(6.1%)	5.1%

Exposure by market cap (% total gross)



Exposure by region (% total gross)



*Includes equities with no sector, market cap or country classification, and all instruments other than equities or swaps.

About City Financial

City Financial is an independent investment management firm with a diversified range of alternative strategies and UCITS funds.

We are authorised and regulated by the FCA in the United Kingdom, and registered with the SEC, NFA and CFTC in the United States, the SFC in Hong Kong, and the MAS in Singapore.

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Performance history

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Cal Yr
2019	(8.10%)	-	-	-	-	-	-	-	-	-	-	-	(8.10%)
2018	1.38%	5.34%	(0.06%)	(7.24%)	(12.00%)	(4.16%)	(4.78%)	(7.53%)	(0.41%)	8.42%	2.05%	1.74%	(17.58%)
2017	1.40%	0.25%	7.20%	6.10%	2.57%	(0.77%)	(2.66%)	2.55%	(0.23%)	3.41%	(0.26%)	(2.91%)	17.38%
2016	(0.18%)	4.14%	(4.93%)	(4.18%)	(3.04%)	(12.66%)	1.79%	2.23%	0.67%	(1.20%)	2.60%	4.88%	(10.67%)
2015	(3.30%)	2.49%	0.83%	1.03%	3.48%	3.14%	7.15%	6.86%	3.51%	(6.11%)	0.28%	2.01%	22.66%
2014	4.77%	(0.67%)	4.53%	6.93%	(2.37%)	(0.70%)	0.66%	1.64%	3.58%	(3.95%)	2.27%	3.01%	20.92%
2013	4.72%	3.43%	2.08%	(0.79%)	(0.61%)	1.40%	2.18%	(0.44%)	3.30%	7.25%	3.88%	2.33%	32.45%
2012	(9.17%)	(1.74%)	(2.50%)	(2.84%)	5.70%	2.51%	0.58%	3.38%	4.12%	1.11%	3.58%	(0.11%)	3.75%
2011	(1.15%)	(1.05%)	(0.86%)	(0.92%)	1.58%	0.61%	(0.99%)	(1.34%)	0.01%	0.78%	11.51%	0.39%	8.22%
2010	2.51%	(3.55%)	(3.55%)	(1.25%)	(9.10%)	(4.70%)	0.94%	(0.16%)	3.70%	0.06%	0.89%	4.09%	(10.42%)
2009	7.81%	0.63%	2.67%	13.33%	8.48%	3.04%	3.33%	3.03%	5.37%	(5.19%)	(4.71%)	(0.28%)	42.59%
2008	-	-	0.09%	7.10%	5.20%	11.49%	(6.67%)	(0.18%)	2.59%	2.14%	5.57%	(3.16%)	25.48%

Share class details

Share class	ISIN	Bloomberg	Annual Management Charge	Ongoing Charge Figure	High Water Mark	Performance Fee	Month-end share price
Class I Acc	GB00B2PX1C62	CFOCDBA	0.75%	0.95%	394.11p	20.00%	286.42p
Class I Inc	GB00B2Q5CV76	CFOCDBI	0.75%	0.95%	366.31p	20.00%	266.28p
Class A Acc	GB00B2PX1719	CFOCDA A	1.50%	1.86%	366.40p	20.00%	263.41p
Class A Inc	GB00B2Q5CL78	CFOCDAI	1.50%	1.86%	348.85p	20.00%	250.69p
Class R Acc	GB00BLSNNL91	CFOCRAG	0.75%	1.11%	137.87p	20.00%	100.03p
Class R Inc	GB00BLSNNK84	CFOCRIG	0.75%	1.11%	137.86p	20.00%	100.03p

The table above shows a representative selection of investible Share Classes. For full Share Class details please visit cityfinancial.co.uk.

The Fund has no Entry Charge.

The Ongoing Charge Figure (OCF) combines the Annual Management Charge (AMC) with the Fund's other expenses in running the fund, e.g. custodian fees, and also includes the OCF of other funds that the Fund may invest in, but excludes portfolio transaction costs. OCFs are calculated using assets under management for all share classes as at 31 October 2018 and expense budgets effective at that date. The AMC is the annual fee paid to the fund manager for the service and administration of the Fund. Performance fee is payable on outperformance of 3-month GBP LIBOR with a permanent high-water mark.

About the investment team

David Crawford, Portfolio Manager

David is a Portfolio Manager of the City Financial Absolute Equity Fund. David joined City Financial in September 2012 from Octopus Investments, where he launched the Fund in 2008. Prior to that, he worked as a fund manager at both Hermes Investment Management and M&G Investments. David graduated from Durham University with a First Class Honours degree in Chemistry.

Ade Roberts, Portfolio Manager

Ade is a Portfolio Manager of the City Financial Absolute Equity Fund. Ade joined City Financial in March 2014 from a buy-side consultancy where he spent three years as an investment consultant. Previously, he spent nine years at Analyst Investment Management plc where he was a portfolio manager directly responsible for the management of UK equity portfolios. Ade is a CFA charterholder and has a First Class Honours degree in Mathematics and Investment from London Metropolitan University. He is the current Chair of the Education Advisory Committee of the CFA Institute and a member of the Structured Learning Committee of the CFA Society of the UK.