

January 2015

		Fund			S&P500 Index	
		<i>Performance</i>	<i>Inception to Date</i>		<i>Performance</i>	<i>Inception to Date</i>
2005		+14.01%	+14.01%		+4.78%	+4.78%
2006		+16.91%	+33.29%		+13.62%	+19.05%
2007		+4.06%	+38.70%		+3.53%	+23.25%
2008		-47.99%	-27.86%		-38.49%	-24.18%
2009		+42.74%	+2.97%		+23.45%	-6.40%
2010		+24.94%	+28.65%		+12.78%	+5.57%
2011		+1.79%	+30.96%		0.00%	+5.56%
2012		+24.17%	+62.61%		+13.41%	+19.71%
2013		+42.96%	+132.46%		+29.60%	+55.15%
2014		+3.92%	+141.59%		+11.39%	+72.82%
	<i>MTD</i>	<i>YTD</i>		<i>MTD</i>	<i>YTD</i>	
Jan 2015	-2.59%	-2.59%	+135.32%	-3.10%	-3.10%	+67.46%

In January, the Fund fell by 2.59%, while the S&P500 fell by 3.10%. This was a more volatile month with the smaller indices doing worse and returning to their levels at the end of 2013.

We performed about 1% better than the smaller indices, just over half of which came from the benefit of an agreed takeover bid for MWI Vets at an 8% premium to the market price. It goes at \$190, which I presume is deliberately pitched above last February's previous high of \$189. We've been in since \$34 five years ago, so we shouldn't complain, yet I do see this as a symptom of small cap underperformance. MWI started to underperform with other small caps last year, even though the earnings marched on as ever and it finished 2014 slightly down. Consequently it is being snaffled up and despite shareholders having the psychological pleasure of getting out at the all-time high, its departure has been facilitated by the 2014 market.

Elsewhere, we got hurt by the oil rout, which was a surprise as we don't have any energy stocks. Fear stalks this market and it finds you out in insidious ways, like the flu that has

been going round town this month. I had got no further than checking whether holdings had been troubled the last time oil halved so I missed vulnerability in Hyster-Yale, the fork lift trucks, and Encore Wire, in building products: both debt-free and not in energy. The link between them is their sensitivity to the economic cycle and the market perceives this deflationary price decline as internationally recessionary. The hiding places, such as technology, are crowded and are thus over-priced for our purposes so we feel there is a game of Sardines on and we just can't bring ourselves to cram in.

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The Fund qualifies as an Undertaking for Collective Investment in Transferable Securities (UCITSIII).

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