

## July 2012

	Fund			S&P500		
	<i>MTD</i>	<i>YTD</i>	<i>Inception to date</i>	<i>MTD</i>	<i>YTD</i>	<i>Inception to date</i>
<b>Dec 2005</b>		<b>+14.01%</b>	<b>+14.01%</b>		<b>+4.78%</b>	<b>+4.78%</b>
<b>Dec 2006</b>		<b>+16.91%</b>	<b>+33.29%</b>		<b>+13.62%</b>	<b>+19.05%</b>
<b>Dec 2007</b>		<b>+4.06%</b>	<b>+38.70%</b>		<b>+3.53%</b>	<b>+23.25%</b>
<b>Dec 2008</b>		<b>-47.99%</b>	<b>-27.86%</b>		<b>-38.49%</b>	<b>-24.18%</b>
<b>Dec 2009</b>		<b>+42.74%</b>	<b>+2.97%</b>		<b>+23.45%</b>	<b>-6.40%</b>
<b>Dec 2010</b>		<b>+24.94%</b>	<b>+28.65%</b>		<b>+12.78%</b>	<b>+5.57%</b>
<b>Dec 2011</b>		<b>+1.79%</b>	<b>+30.96%</b>		<b>0.00%</b>	<b>+5.56%</b>
<b>Jan 2012</b>	<b>+8.46%</b>	<b>+8.46%</b>	<b>+42.04%</b>	<b>+4.36%</b>	<b>+4.36%</b>	<b>+10.16%</b>
<b>Feb 2012</b>	<b>+4.00%</b>	<b>+12.80%</b>	<b>+47.72%</b>	<b>+4.06%</b>	<b>+8.59%</b>	<b>+14.63%</b>
<b>Mar 2012</b>	<b>+2.46%</b>	<b>+15.57%</b>	<b>+51.35%</b>	<b>+3.13%</b>	<b>+12.00%</b>	<b>+18.23%</b>
<b>Apr 2012</b>	<b>+0.29%</b>	<b>+15.91%</b>	<b>+51.80%</b>	<b>-0.75%</b>	<b>+11.16%</b>	<b>+17.34%</b>
<b>May 2012</b>	<b>-5.87%</b>	<b>+9.10%</b>	<b>+42.88%</b>	<b>-6.26%</b>	<b>+4.20%</b>	<b>+9.99%</b>
<b>Jun 2012</b>	<b>+6.28%</b>	<b>+15.94%</b>	<b>+51.84%</b>	<b>+3.96%</b>	<b>+8.31%</b>	<b>+14.34%</b>
<b>Jul 2012</b>	<b>-0.52%</b>	<b>+15.34%</b>	<b>+51.05%</b>	<b>+1.26%</b>	<b>+9.68%</b>	<b>+15.78%</b>

In July the Fund fell by 0.52% while the S&P500 rose by 1.26%. We slipped in line with smaller indices which continue to have a difficult year. For example, the Russell 2000, our closest comparable, has closed July up only 6.2% year to date. It is now back to the same levels it reached at the end of 2010.

Underperforming smaller stocks are consistent with this low growth, uncertain environment. If we weren't fully confident that they are the long-term outperforming class we could even start to get worried now we are a couple of years into their lassitude. However, what we also know is that when they go, they really go, and I certainly don't want to migrate away at this stage.

Meanwhile, the relative strength has moved into large consumer stocks such as Merck, Walmart and Johnson & Johnson, where a belated realisation that they yield more and have a better credit rating than the long bond seems to be lifting them as group. This rotation cannot last a long time as these stocks have a low growth rate that will call valuations into question if they keep going much more.

Separately, housing continues to recover and we are playing that, directly through Meritage Homes, which we have had for years, and obscurely through community banks which we have been buying this year.

#### **Risk Warnings and Other Important Information**

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

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