**August 2017**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **Fund** |  |  | **S&P500**  **Index** |  |
|  |  | *Performance* | *Inception to Date* |  | *Performance* | *Inception to Date* |
| **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%** |
| **2015** |  | **-2.10%** | **+136.51%** |  | **-0.73%** | **+71.56%** |
| **2016** |  | **+31.95%** | **+212.07%** |  | **+9.54%** | **+87.93%** |
|  | *MTD* | *YTD* | *ITD* | *MTD* | *YTD* | *ITD* |
| **Jan 2017** | **-1.42%** | **-1.42%** | **+207.46%** | **+1.79%** | **+1.79%** | **+91.29%** |
| **Feb 2017** | **+1.63%** | **+0.13%** | **+212.48%** | **+3.72%** | **+5.57%** | **+98.40%** |
| **Mar 2017** | **-0.67%** | **-0.54%** | **+210.38%** | **-0.04%** | **+5.53%** | **+98.33%** |
| **Apr 2017** | **+2.09%** | **+1.53%** | **+216.85%** | **+0.91%** | **+6.49%** | **+100.13%** |
| **May 2017** | **-1.16%** | **+0.35%** | **+213.16%** | **+1.16%** | **+7.73%** | **+102.45%** |
| **Jun 2017** | **+4.81%** | **+5.18%** | **+228.24%** | **+0.48%** | **+8.24%** | **+103.42%** |
| **July 2017** | **-0.62%** | **+4.53%** | **+226.20%** | **+1.93%** | **+10.34%** | **+107.36%** |
| **Aug 2017** | **+1.17%** | **+5.75%** | **+230.02%** | **+0.05%** | **+10.40%** | **+107.47%** |

In August, the Fund rose by 1.17% and the S&P500 was virtually unchanged at +0.05%. The market went down to a low on August 21st and then rallied into month-end despite the North Korean missile test on the 26th. All the smaller stock indices fell in the region of 2%.

Our banks continue to disappoint as a group and their weighting is now down to 46% from a high of 54% at the beginning of the year, mainly due to their own poor action. Our outperformance against smaller indices was based not only on our low volatility but also on a few strong stocks.

FS Bancorp, which I frequently go on about, went through $50, and is now 8% of the portfolio. Johnson Outdoors, a 3% holding, surged as they sold more fish-finders. We have held them for years for their canoes, culture and a play on millennials. Manitex, the cranes, rose, possibly on Hurricane Harvey, although it is anyway improving. There may be some luck here but then we do tend to be lucky.

These are interesting times. Missiles are less unsettling for the market, momentum-based hedge funds are under-performing, yet large tech surges again after interest rates are set low at Jackson Hole. As momentum is generally failing we are in a period of mean reversion, which informs us to do nothing with the weak banks – they’re due a bounce. The portfolio is too much in the wrong place to surge, but won’t go down: our under-performance against the S&P500 in 2017 was put in by February.

Our biggest holding has become Paragon Bank as we have completed our switch from Towne Bank. This is expected to revert to Towne Bank as their merger completes at year-end and we win 20 basis points in arbitrage. We also muck about with our holdings. For instance, Encore Wire is back in at lower levels after recent bad earnings. But fooling around with stocks in a trading range is not as good as getting an up-trend and holding it.

The reflation trade has washed out and we’ve been punished earlier in the year. There will be no change in strategy, even though the tech leaders are making new highs.

**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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