

May 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>
Dec 2005		+14.01%	+14.01%		+4.78%	+4.78%
Dec 2006		+16.91%	+33.29%		+13.62%	+19.05%
Dec 2007		+4.06%	+38.70%		+3.53%	+23.25%
Dec 2008		-47.99%	-27.86%		-38.49%	-24.18%
Dec 2009		+42.74%	+2.97%		+23.45%	-6.40%
Dec 2010		+24.94%	+28.65%		+12.78%	+5.57%
Dec 2011		+1.79%	+30.96%		0.00%	+5.56%
Jan 2012	+8.46%	+8.46%	+42.04%	+4.36%	+4.36%	+10.16%
Feb 2012	+4.00%	+12.80%	+47.72%	+4.06%	+8.59%	+14.63%
Mar 2012	+2.46%	+15.57%	+51.35%	+3.13%	+12.00%	+18.23%
Apr 2012	+0.29%	+15.91%	+51.80%	-0.75%	+11.16%	+17.34%
May 2012	-5.87%	+9.10%	+42.88%	-6.26%	+4.20%	+9.99%

In May the Fund was down 5.87% and the S&P500 fell by 6.26%. Although we fell heavily, we did beat every index we follow and the New York Stock Exchange Index, for example, fell so hard it became negative for the year to date.

I still like our analogy with the 1970s. The October 1973 OPEC Production restrictions took wealth from the West and the 2008 loan defaults did the same. These exogenous losses culminated in bear market lows in December 1974 and April 2009. As the system unsteadily recovered from the shocks, occasional lesser crises of confidence occurred, like ripples from a stone thrown into a pond. In October 1978, and again in October 1979, what became known as the October massacres took place, which were two distinctive outer ripples. October 1978 was 46 months into recovery and was characteristically similar to our experience in May 2012, 37 months after the low. In every case it was wrong to sell the dips as the weak recovery re-asserted itself and we are positioned accordingly.

Continued fragility argues for overweighting growth stocks and indeed these slightly outperformed. I prefer lower growth, as slips by high multiple stocks are punished hard in this unforgiving environment, so in May we added to our supermarket chain, Village Stores, raising it to 6% of the Fund.

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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