

October 2010

	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>
Aug 2010	-6.83%	-2.01%	+0.89%	-4.74%	-5.90%	-11.92%
Sep 2010	+12.02%	+9.77%	+13.02%	+8.76%	+2.34%	-4.21%
Oct 2010	+2.58%	+12.60%	+15.94%	+3.69%	+6.11%	-0.68%

In October the Fund was up 2.58% and the S&P500 was up 3.69%. We are lagging an up market which is unusual for us and I am not happy about it, but the market is becoming increasingly polarised. There are stocks in strong uptrends and others that keep on sideways but the characteristics of the leaders are increasingly unattractive to us.

We hardly changed any positions in the month and many of our values are little changed. It feels as though we are playing Scrabble and I am wondering whether it is time to change the rack, but the problem is that to do so means you lose your turn and a little time. We have seen markets like this before in 1968 and 1999, when a certain group of stocks offered certainty in confused times but in each case it would have been a mistake to just join in the trend. Today's market is more like 1999 as it is the very highest valuations which are going higher. Our contribution is to own Green Mountain Coffee Roasters, 5% of the Fund, which is shooting up again and was recently nominated as one of the five most over-valued stocks in the market by Barron's. I am unsure whether to be proud or concerned by this, because our general portfolio is more lowly valued than the market generally and this diversification is helping us to participate in the current theme.

This differentiated market is also favouring to a lesser extent larger stocks and financially stronger stocks and stocks with more visible growth, as all these are more dependable in uncertain times and so it is within these parameters that we may change just one or two letters from the rack. Generally, however, I am disinclined to move to high multiple growth as it is a long-term underperforming asset class.

When looking up prices on www.fundlistings.com, there is the GBP and the USD class. When the de Lisle Fund transferred on July 31st the exchange rate was \$1.5661. Accordingly, if sterling is above that level, as it is now, the GBP figure will be below the USD figure and vice versa.

Risk Warnings and other important information

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