October 2012

		Fund			S&P500	
	MTD	*YTD*	*Inception to date*	*MTD*	*YTD*	*Inception to date*
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%**
Jun 2012	**+6.28%**	**+15.94%**	**+51.84%**	**+3.96%**	**+8.31%**	**+14.34%**
Jul 2012	**-0.52%**	**+15.34%**	**+51.05%**	**+1.26%**	**+9.68%**	**+15.78%**
Aug 2012	**+2.42%**	**+18.13%**	**+54.70%**	**+1.98%**	**+11.85%**	**+18.07%**
Sep 2012	**+3.63%**	**+22.42%**	**+60.32%**	**+2.42%**	**+14.56%**	**+20.93%**
Oct 2012	**+0.04%**	**+22.47%**	**+60.38%**	**-1.98%**	**+12.29%**	**+18.54%**

In October the Fund rose by 0.04%, while the S&P500 fell by 1.98%. This was another good month for us, when, as last month, we not only beat the S&P500, but also the other five indices of the overall market: the Dow Jones, NYSE, Russell2000, S&P400 and S&P600.

The latter four indices, which all represent the broader market, are back to the levels of early 2011 and so overall progress is slow. Nevertheless we remain in the higher territory we entered at the end of the summer, and so continue our own private bull market. This month we celebrated the 25th anniversary of the 1987 crash with the worst day in the market for four months and yet all sell-offs have been limited since the low in June and it has been wrong to be shaken out.

We held up through a troubled third quarter earnings season, essentially by not being torpedoed, rather than through any individual heroics. We have a slight tilt to value and the third quarter missiles went for sales misses for which value stocks are a little less vulnerable.

In yet another of my box ticking exercises, I have been looking at the role of volatility as a predictor of future stock price performance. We have got as far as avoiding technology as a long-term bias because this volatile sector is a long-term underperformer, but there is a remarkable counterintuitive correlation between low volatility of an individual stock and its long-term outperformance. This is evidence that no one invests in the stock market to make money because low volatility is too dull to be fun. When I look at the inaction in our community banks, which take hibernation as a natural state of being, I am aware we have ticked the low volatility box very well indeed. I remain optimistic for this group going forward.