**October 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%** |
| **Sep 2017** | **+7.30%** | **+13.47%** | **+254.09%** | **+1.93%** | **+12.53%** | **+111.47%** |
| **Oct 2017** | **+0.35%** | **+13.86%** | **+255.33%** | **+2.22%** | **+15.03%** | **+116.17%** |

In October, the S&P rose by 2.22% and the Fund rose by 0.35%. We were keeping up until the tax plan was cast into doubt on October 30th. All small stocks fell and the Fund lost 1.8% in one of the worst days of the year.

Small stocks are crawling back as the underlying trends re-assert themselves but the bigger shock for me came on October 27th, as four of the largest tech companies accelerated their rate of growth and surged to new highs. At these new improved growth rates, we can even start to justify their price. I am face to face with the awful truth that I have been wrong for years as I relied on historic factors of their type of stock (such as big, high P/E, low book) to predict under-performance. The most important factor is that high growth rates revert to the mean quicker than the market expects. However, I missed the point that this doesn’t happen if these guys are accreting monopoly power because we haven’t seen it before. Judge Bork’s Monopoly Rules, written in the 1980s, protect the consumer on price and are therefore inapplicable to the world of big data and control of the consumer. It will be a while before the game is re-written and the clamp-down occurs.

What to do? Well, we have our own obscure ways of keeping up with trends but we have just passed the seasonal danger period of May to October and with the strong sector, tech, surprising on the upside, the conditions are aligned for a melt-up into the Spring, interest rates notwithstanding. I have taken the precaution of putting 1% of the Fund into millennial stocks Cognex and Nvidia to keep me sane but am now aware the usual suspects may go on and on.

**Risk Warnings and Other Important Information**

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