

# **THE VT DE LISLE AMERICA FUND**

**SHORT FORM ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

## THE VT DE LISLE AMERICA FUND

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### Directory

<b>Authorised Corporate Director, &amp; Registrar</b>	Valu-Trac Investment Management Limited Orton Moray IV32 7QE  Telephone: 01343 880344 Fax: 01343 880267 E-mail: <a href="mailto:delisle@valu-trac.com">delisle@valu-trac.com</a>  Authorised and regulated by the Financial Conduct Authority Registered in England No 2428648
<b>Director</b>	Valu-Trac Investment Management Limited as ACD
<b>Investment Manager</b>	De Lisle Partners LLP Cliff House 8A Westminster Road Poole BH13 6JW  Authorised and regulated by the Financial Conduct Authority
<b>Fund Manager</b>	Richard de Lisle
<b>Depository</b>	National Westminster Bank Plc Younger Building, 1 <sup>st</sup> Floor 3 Redheughs Avenue EDINBURGH EH12 9RH  Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority
<b>Auditors</b>	Johnston Carmichael LLP Chartered Accountants 7-11 Melville Street Edinburgh EH3 7PE
<b>Changes to the Company</b>	The head office of the Company changed to Level 13, Broadgate Tower, 20 Primrose Street, London EC2A 2EW on 13 August 2015.

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## Investment Objective and Policy

The Sub-Fund will aim to achieve a long term return.

The Sub-Fund will invest primarily in equities and other investments in America (and may also invest in Canada). The Sub-Fund will invest in, predominantly, listed securities, typically common stock and American Depository Receipts listed on US exchanges, including exchange traded funds. The Sub-Fund may invest in collective schemes, transferable securities, cash deposits and money market funds permitted by the FCA Rules.

## Investment Manager's Report

For the period from 1st April 2015 to 31st March 2016.

### Investment Objectives and Policy

The Sub-Fund seeks to achieve capital appreciation by investing in US smaller companies. Typically, 85% of the portfolio is in US companies of market capitalisation less than \$500 million and the rest is in larger US companies. The portfolio will consist of equity securities quoted on the US stock markets.

### Manager's Review

The share classes within the Sub-Fund fell by -0.28%(+23.03% 2015) for the Class B GBP and -2.94%(9.52% 2015) in the Class B USD for the year ending 31st March 2016, while the S&P500 Index fell by -0.39%. Our performance was better than any index we might be compared with. For instance, the Russell 2000 was down 11.1%; the New York Stock Exchange Index (all NYSE stocks) was down 6.3%; the S&P600 (small cap) was down 4.6% and the S&P400 (mid cap) was down 5.2%. The index that best reflects the capitalisation of each of our holdings is the Russell 2000, although the S&P600 better reflects their quality as it has stricter listing requirements.

Our largest overweight position remains in small community banks because we have an edge and they work. These banks are typically in towns with a Main Street in states which are attractive yet not mainstream. For instance, the Carolinas, Virginia, Kansas, Indiana, Washington, Michigan and Kentucky are important to us. We have no banks in California or Florida. Community banks are low beta and consolidate, occasionally merging with neighbours. They suffered in the financial crisis, as the Fed required more deposits and are gently returning to pre-crisis levels and beyond. They tend to just lend to local businesses and consumers. Our edge is we can study them deeper over the years and they anyway tend to be not much followed by research. They are also mainly locally owned. Occasionally, surprises happen. In this year I was starting a holding in Riverside Bank of Indiana, having made an enjoyable romp through their 100 years of history of not much happening when they received a bid from German-American Bank which we have held for ten years and had never previously done anything so exciting. Thus we now have more than 1% of the Fund in German-American and their capitalisation has advanced to \$500 million, which is tectonic change in this world. Another surprise last year was when a list showed us to be the only institutional holder of Monarch Bank of Virginia, our largest position. This \$200 million bank is now in the process of bringing us company on the shareholder list by getting taken over by the much larger Towne Bank.

Sometimes nothing happens at all, even though it should. Last autumn FS Bancorp of Washington increased its deposit base by a third in buying, for a song, four branches from Bank of America in the remote Olympic National Park around Puget Sound. The share price has been resolutely unmoved as we have shifted our position up to 2.5% of the Fund and maybe we will have to wait for the associative lending to increase to get some attention for this transformational event. The bank itself bought back 3% of its own equity in the last quarter so I presume it is also stamping its feet in protest at its lack of recognition at getting its hands on some of the old Seafirst Bank and becoming the banker for this beautiful area.

Elsewhere, we hold, as ever, representation in canoes, cemeteries, RVs and avocados. More mundanely, we have plastics, choline, car locks and polymers. In machinery we have cherry pickers, fork lifts, boom trucks and stump grinders. However, what unifies these disparate enterprises is that they are all bets on the continuing function of the great American heartland. Always the condition to upset the apple cart would be a deep recession because these stocks would get hurt no matter how strong their balance sheets.

We try to stick with value and I cannot see value in Amazon however far we project into the future but their phenomenon means we will no longer hold any retail, having left Village Stores this year. The general creative disruption is so threatening that it would be easy to run away and hide in consumer staples, yet they are also too expensive and we are left pondering more sociological questions such as whether motor boats will retain the same appeal to millennials or are they destined, like golf, to be judged too time-consuming in the age of the Internet? These questions can challenge the strongest convictions of the older generation. For instance, many generations had certitude in death and taxes, yet even these are going out of fashion as our coffin makers cite revenue shortfalls on a falling death rate and five technology companies hold \$500 billion offshore to escape tax.

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We need to be flexible as the barriers have gone and this goes beyond predicting the death of newspapers and imagining the effects of 3D printing. For this reason, and again surprisingly, a lot of the paths lead back to the Middle American catchall of the community bank. As far as I can see we just have to make one modern assumption – that peer-to-peer lending is not a disruptor, and, given the smash-up that greedy Wall Street has already made, this seems a quite reasonable view.

I do not think we will get the robust economy which will make the Fund fly, but then again, I don't think the economic weakness that is priced into the current market will portend, as we seem to be at another disinflation high tide and we are positioned accordingly. Earlier this year Money Observer gave the Fund its Stability Award and I think that is fair, as we move slowly with only very rare stock blow-ups.

Richard de Lisle  
De Lisle Partners LLP  
Investment Managers to the Fund

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## Financial Highlights

### Class B GBP Net Accumulation

	Year to 31 March 2016	Year to 31 March 2015	Year to 31 March 2014
	GBP	GBP	GBP
Changes in net assets per unit			
Opening net asset value per unit	238.0148	193.4598	176.6972
Return before operating charges	2.0288	47.0503	19.1871
Operating charges (note 1)	<u>(2.6839)</u>	<u>(2.4953)</u>	<u>(2.4245)</u>
Return after operating charges*	(0.6551)	44.5550	16.7626
Closing net asset value per unit	<u>237.3597</u>	<u>238.0148</u>	<u>193.4598</u>
Retained distributions on accumulated units	0.0137p	0.0011p	-
*after direct transaction costs of:	0.3565	0.2157	0.2221
Performance			
Return after charges	(0.28%)	23.03%	9.49%
Other information			
Closing net asset value	£8,932,448	£9,359,762	£8,354,754
Closing number of units	3,763,254	3,932,428	4,318,600
Operating charges (note 2)	1.22%	1.23%	1.29%
Direct transaction costs	0.15%	0.10%	0.12%
Prices			
Highest unit price	241.20	238.01	202.03
Lowest unit price	199.86	181.27	164.04

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## Financial Highlights (continued)

### Class B USD Net Accumulation

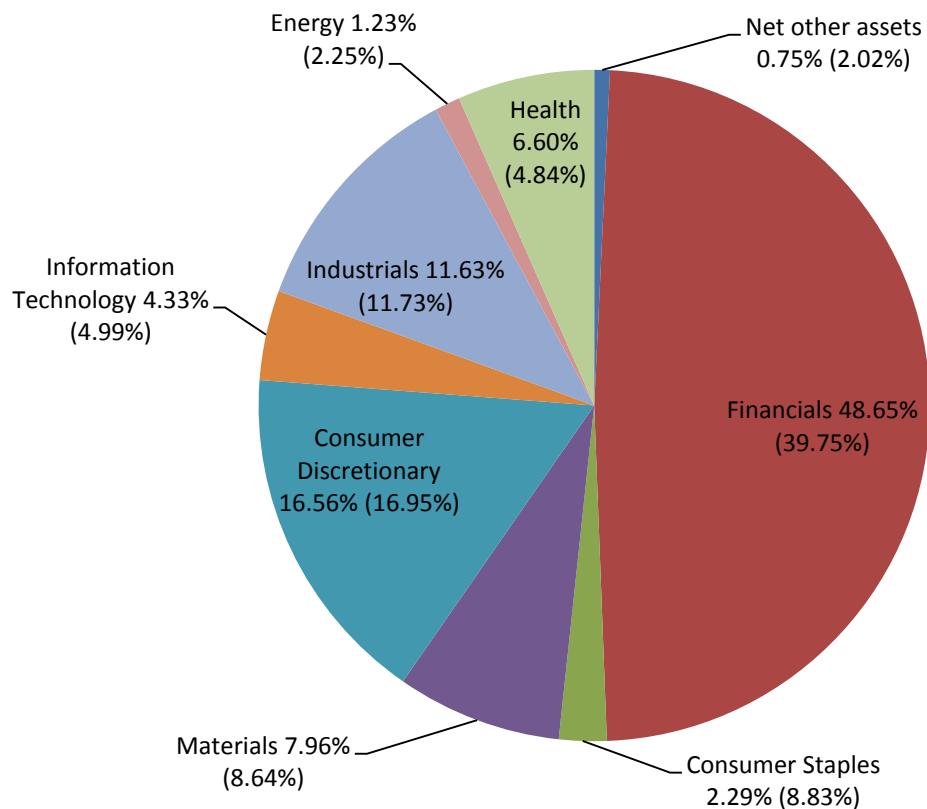
	<b>Year to 31 March 2016</b>	<b>Year to 31 March 2015</b>	<b>Year to 31 March 2014</b>
Changes in net assets per unit	USDc	USDc	USDc
Opening net asset value per unit	228.2065	208.3662	172.8995
Return before operating charges	(4.0951)	22.4366	37.9641
Operating charges (note 1)	(2.6202)	(2.5963)	(2.4974)
Return after operating charges*	(6.7153)	19.8403	35.4667
Closing net asset value per unit	221.4912	228.2065	208.3662
Retained distributions on accumulated units	0.0076p	0.0007p	-
*after direct transaction costs of:	0.3373	0.2183	0.2287
Performance			
Return after charges	(2.94%)	9.52%	20.51%
Other information			
Closing net asset value	\$15,284,807	\$16,289,522	\$15,091,561
Closing number of units	6,900,863	7,138,063	7,242,806
Operating charges (note 2)	1.22%	1.23%	1.29%
Direct transaction costs	0.15%	0.10%	0.12%
Prices			
Highest unit price	230.00	228.91	215.40
Lowest unit price	193.58	196.44	162.88

1. The operating charges per unit figure is calculated by applying the operating charges percentage to the average net asset valuation per share throughout the period.
2. The operating charges percentage is based on expenses incurred during the period annualised, as a proportion of the average net asset value of the fund.

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### Sector Spread of Investments



The figures in brackets show allocations at 31 March 2016

### Major Holdings

**The top ten holdings at the end of the period are:**

Holding	% of Fund at 31 March 2016
Westwood Holdings	8.32
Monarch Financial Holdings	7.78
Handy & Harman	5.26
Yadkin Valley Financial	5.02
Carriage Services	3.13
Marine Products	3.10
FS Bancorp	2.51
Vectrus	1.74
Crown Crafts	1.61
Wayside Technology Group	1.58

### Risk Profile

Based on past data, the fund is ranked a '5' on the synthetic risk and reward indicator scale (of 1 to 7) as described fully in the Key Investor Information Document. The Fund is ranked 5 because funds of this type have experienced relatively high rises and falls in value in the past. Please note that even the lowest risk class can lose you money and that extreme market circumstances can mean you suffer severe losses in all cases.

### Risk Warning

An investment in an Investment Company with variable Capital should be regarded as a medium to long term investment. Investors should be aware that the price of shares and the revenue from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.