



VT Thistledown Income Fund

Quarterly Factsheet

31 March 2017

Investment Manager

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Further information is available at
www.thisim.com

Key Fund information

Fund size	£12.6m
Number of investments	28
Price (Z Acc)	127.5026p

Annualised Volatility

Fund (Z Acc)	7.0%
Benchmark	15.2%

Fees & charges

Annual management charge	1.00%
Performance fee	None
Initial charge	None
Ongoing charges (31 Dec 2016)	1.38%

Yield & dividends

Yield	2.66%
Quarterly dividend (x date 31 Mar 17, paid 13 Apr17)	0.2205p

Security codes & other Fund Information

SEDOL (Z Acc)	BYYP644
ISIN (Z Acc)	GB00BYYP6442
SEDOL (Z Inc)	BNGXQZ0
ISIN (Z Inc)	GB00BNGXQZ01
Shares in Issue (Z Acc)	3,343,043
Market Value (Z Acc)	£4.3m
Launched	December 2010

Objective

To provide income while investing to provide some capital growth over the medium to long term.

Investment style: Value

Thistledown are value investors who buy shares in companies that they calculate to be selling below their intrinsic value. This is determined through detailed financial and industrial analysis, combined with a valuation approach that focuses on both stockmarket and corporate worth.

Investment performance

Growth (%)	3m	1y	3y	5y	Inception
Fund (Z Acc)	3.6	27.6	37.8	71.4	83.9
MSCI UK IMI Net	4.0	22.3	23.8	56.4	72.2

Top 10 investments

Asset class	Holding	%
UK Gilts	iShares UK Gilts 0-5yr UCITS ETF	8.2
Japan	Morant Wright Fuji Yield Fund	8.0
UK Gilts	SPDR Barclays 1-5 Year Gilt UCITS ETF	6.8
Emerging Market Equity	SPDR S&P Emerging Markets Dividend ETF	5.1
Emerging Market Bonds	iShares Emer Mrkts Local Govt Bd UCITS ETF	5.0
US Bonds	iShares \$ Ultrashort Bond UCITS ETF	4.7
UK All Companies	Lloyds Banking Group PLC	3.5
UK All Companies	Punch Taverns PLC	2.9
Europe All Companies	DIA S.A.	2.6
UK All Companies	Ashmore Group PLC	2.6

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Investment commentary

INTRODUCTION

The first quarter has been relatively uneventful for the fund. I spent nearly a month in Asia to try and get a better understanding of why so many Asian companies are lowly valued. I met with several managers and discussed individual companies. As I write there are political concerns which cannot help sentiment but the undervaluation predates this. I do not really understand the reasons for it and am inclined to think there are good opportunities to be had.

PERFORMANCE

The fund rose slightly less than the market despite a high level of cash and bonds.

COMPANY COMMENTARY

There was the usual cross section of returns in the quarter. A general theme was that cyclically exposed companies did well as the 'Trump bounce' spread to other markets. This was evident in technology and UK domestic companies. The weakest performer was BP where evidence that the OPEC cuts were not holding combined with data from the US to suggest that perhaps the market would stabilise at lower prices than expected.

TRANSACTIONS

I sold Caledonia Mining and TP Icap during the quarter and added to holdings with emerging markets exposure.

Caledonia Mining was bought some years ago when the cash on its balance sheet seemed to protect shareholders from the risks of working in Zimbabwe. Since then the management have done a great job of creating what looks to be an excellent mine in a very difficult environment. As ever there have been any number of surprises and upsets but the management have steadily dealt with them whilst rewarding shareholders with regular dividends. The last holdings were sold at nearly twice the book price, before allowing for the 6% yield paid during our ownership. The reason for selling the holding was the deteriorating environment in Zimbabwe. I had hoped that the situation was improving; but several indicators have got steadily worse. I know that the management will make the best of whatever happens and wish them well.

TP Icap has only been held for six months. The share price had risen as the merger took place. I had believed that several founding shareholders in the original companies were committed to the new business. I was wrong and they sold their holding. I took this as a cue to sell the fund's holding.

I added to the holdings in emerging markets. In an expensive world, these investments are reasonably priced and deliver a reasonable income; not exciting but quite sufficient to justify added investment.



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OUTLOOK

As I finish writing this Theresa May has announced a general election. Just to confound everyone this has led to a sharp selloff in the UK stock market, but a significant strengthening of the £. When I next write, the UK will have had an election and we will know the result of the French elections.

Regardless of these events, and as I have written often before, my concern is valuation. I am now sure that there are interesting opportunities in Asia and hope to add to the holdings there. There is no hard rule on the percentage that could be invested there but I would be surprised if it rose much above 20% in the medium term. That said the combination of cheap companies with reasonable dividend yields is attractive and unusual elsewhere.

Managers comment is available at www.thisim.com

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