



VT Thistledown Income Fund

Quarterly Factsheet

30 June 2017

Investment Manager

Dominic Fisher OBE
Thistledown Investment Management Limited
Further information is available at
www.thisim.com

Key Fund information

Fund size	£12.9m
Number of investments	33
Price (Z Acc)	129.6063p

Annualised Volatility

Fund (Z Acc)	6.9%
Benchmark	15.0%

Fees & charges

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

Yield & dividends

Yield	2.69%
Quarterly dividend (x date 30 Jun 17, paid 14 Jul 17)	0.8198p

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)	3,385,846
Market Value (Z Acc)	£4.4m
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)	1.6	24.3	37.1	74.4	87.0
MSCI UK IMI Net	1.2	17.5	22.5	62.4	74.3

Top 10 investments

Asset class	Holding	%
Japan	Morant Wright Fuji Yield Fund	8.4
UK Gilts	iShares UK Gilts 0-5yr UCITS ETF	8.0
UK Gilts	SPDR Barclays 1-5 Year Gilt UCITS ETF	6.7
Emerging Market Equity	SPDR S&P Emerging Markets Dividend ETF	4.9
Emerging Market Bonds	iShares Emer Mrkts Local Govt Bd UCITS ETF	4.9
US Bonds	iShares \$ Ultrashort Bond UCITS ETF	4.4
UK Government Bonds	UK Treasury Bill 25/09/2017	3.9
UK All Companies	Lloyds Banking Group PLC	3.5
UK All Companies	Brown (N) Group PLC	3.1
UK All Companies	Punch Taverns PLC	2.9

Subscribe & contact

If you wish to subscribe to this Factsheet, or have any queries regarding its content, please contact Valu-Trac Administration Services:

Telephone +44 (0)1343 880344
Fax +44 (0)1343 880267
Email thistledown@valu-trac.com

Available on the following platforms

Cofunds
Hargreaves Lansdown
Transact



VT Thistledown Income Fund

Quarterly Factsheet

30 June 2017

Investment commentary

INTRODUCTION

The fund rose slightly last quarter; but what a terrible mess elsewhere, particularly in UK politics. It was a fascinating campaign, for all the wrong reasons, and it is hard to see the result as good for investors, especially if this is the prelude to a Corbyn government. Given this it is surprising that the UK stock market barely reacted to the election; so much for the well-worn phrase 'markets hate uncertainty'. The London market is insulated from purely domestic issues by the size and scope of its multinational constituent companies but nevertheless the resilience surprised me. The only silver lining is that perversely, bad news in markets might translate into better opportunities to invest money.

PERFORMANCE

The fund returned 1.6% this quarter, very slightly more than the UK equity market and since inception the fund has done better than the UK equity market with much lower volatility.

COMPANY COMMENTARY

The best performance this quarter was N Brown, which rose nearly 50%. The company announced strong trading, with certain parts of the business growing at over 20%. Investors have reacted enthusiastically to this news, which is pleasing, although with major elements of the transformation still to come I suspect there may be some short-term disappointments.

Samsung, the Korean electronics giant, rose nearly 10%. This company fits into a category of investment that seems to defy common sense; very large companies available at very low prices. The investment has returned over 100% since purchase in the third quarter of 2014, yet remains one of the cheapest companies in the portfolio. My suspicion is that these opportunities are available because of short term concerns that dominate investors thinking. Samsung was purchased as its mobile phone business began a steep decline, a decline that accelerated when their phones started to catch fire. The market was aware of the fate of Nokia, Blackberry and Motorola and this dominated commentary; results since then, particularly in the electronics division, have changed investors opinions.

Buying companies when the news is bad does not always work out. In June, last year I reported on investments bought after the referendum. A number have done well since; Persimmon, Tullett and Prebon, Lloyds Bank and Fondul Proprietatea. One has done particularly badly, Carillion which was sold after the quarter end following extremely poor results at a cost to the fund of about 0.3%.

It is important to review poor decisions. I met the management first in 2012 and finally invested last year following the Brexit fallout. The company was disliked by many for its contracting business, low margins and large pension fund deficit. The share price fell steadily this year, notwithstanding a positive AGM statement, and I arranged to meet the new finance director in June. The company cancelled the meeting. I considered the position and decided to wait until the next results announcement expected in July for a full review. What a mistake. The announcement highlighted around £900m of provisions, which given the company made 'profits' of around £100m last year is extraordinary. It makes one wonder the point of the auditors and the oversight of the board if they cannot identify something so material.

It is disappointing to make a mistake but it is a risk that attaches to investing in 'cheap' companies. I discussed this in the June 2014 report, writing 'I appear to have made more money from companies where the facts showed that the company was cheap, but other factors were negative ... when, as must happen, a statistically cheap company performs poorly because sentiment is well founded...I hope you will remember to focus on the overall tally not the individual upset'.



VT Thistledown Income Fund

Quarterly Factsheet

30 June 2017

TRANSACTIONS

I wrote last quarter that based on trips to Asia and discussions with local investors I had found some interesting investments. I have added four small positions to the fund; three based in Asia, one in Canada. The companies are a Japanese outsourcing business, a Hong Kong printer of illustrated books, a Canadian investment manager and a Macau hotel/casino. These all appear to me lowly valued, offer exposure to markets not represented in the UK and in three cases pay reasonable dividends. The positions are smaller than average to balance the rewards I anticipate with the risks of being further from information about the individual companies.

OUTLOOK

I have written repeatedly that the unprecedented monetary policies of central banks are worrying and dangerous to your wealth. 10 years after the financial crisis it appears that these are coming to an end. The bond markets are reacting and prices for longer dated bonds have fallen significantly from their peaks. Equity markets have continued to rise. I believe they will suffer too and continue to hold significant levels of liquidity and shorter dated bonds.

Managers comment is available at www.thisim.com

WARNING: The information in this report is presented by Valu-Trac Investment Management Limited using all reasonable skill, care and diligence and has been obtained from or is based on third party sources believed to be reliable but is not guaranteed as to its accuracy, completeness or timeliness, nor is it a complete statement or summary of any securities, markets or developments referred to. The information within this report should not be regarded by recipients as a substitute for the exercise of their own judgement.

The information in this report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient and is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. In the absence of detailed information about you, your circumstances or your investment portfolio, the information does not in any way constitute investment advice. If you have any doubt about any of the information presented, please consult your stockbroker, accountant, bank manager or other independent financial advisor.

Value of investments can fall as well as rise and you may not get back the amount you have invested. Income from an investment may fluctuate in money terms. If the investment involves exposure to a currency other than that in which acquisitions of the investments are invited, changes in the rates of exchange may cause the value of the investment to go up or down. Past performance is not necessarily a guide to future performance.

Any opinions expressed in this report are subject to change without notice and Valu-Trac Investment Management Limited is not under any obligation to update or keep current the information contained herein. Sources for all tables and graphs herein are Valu-Trac Investment Management unless otherwise indicated.

The information provided is "as is" without any express or implied warranty of any kind including warranties of merchantability, non-infringement of intellectual property, or fitness for any purpose. Because some jurisdictions prohibit the exclusion or limitation of liability for consequential or incidental damages, the above limitation may not apply to you.

Users are therefore warned not to rely exclusively on the comments or conclusions within the report but to carry out their own due diligence before making their own decisions.

Unless otherwise stated Equity Market price indices used within this publication are sourced or derived from data supplied by MSCI Inc 2017.

Valu-Trac Investment Management Limited and its affiliated companies, employees of Valu-Trac Investment Management Limited and its affiliated companies, or individuals connected to them, may have or have had interests of long or short positions in, and may at any time make purchases and/or sales as principal or agent in, the relevant securities or related financial instruments discussed in this report. © 2017 Valu-Trac Investment Management Limited. Authorised and regulated by the Financial Conduct Authority (UK), registration number 145168. This status can be checked with the FCA on 0800 111 6768 or on the FCA website (UK). All rights reserved. No part of this report may be reproduced or distributed in any manner without the written permission of Valu-Trac Investment Management Limited. Valu-Trac™ is a registered trademark.