

October 2018

		Fund			S&P500 Index	
		<i>Performance</i>	<i>Inception to Date</i>		<i>Performance</i>	<i>Inception to Date</i>
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%

	<i>MTD</i>	<i>YTD</i>	<i>ITD</i>	<i>MTD</i>	<i>YTD</i>	<i>ITD</i>
2017	-2.99%	+13.43%	+254.00%	+0.98%	+19.42%	+124.42%
Jan 2018	+0.09%	+0.09%	+254.32%	+5.62%	+5.62%	+137.03%
Feb 2018	-3.81%	-3.72%	+240.81%	-3.89%	+1.50%	+127.80%
Mar 2018	+1.82%	-1.97%	+247.02%	-2.69%	-1.22%	+121.67%
Apr 2018	+1.21%	-0.79%	+251.21%	+0.27%	-0.96%	+122.28%
May 2018	+3.28%	+2.47%	+262.74%	+2.16%	+1.18%	+127.08%
Jun 2018	+1.38%	+3.89%	+267.76%	+0.48%	+1.67%	+128.18%
July 2018	+0.32%	+4.22%	+268.95%	+3.60%	+5.34%	+136.40%
Aug 2018	+1.68%	+5.98%	+275.16%	+3.03%	+8.52%	+143.55%
Sep 2018	-3.41%	+2.36%	+262.37%	+0.43%	+8.99%	+144.60%
Oct 2018	-10.96%	-8.86%	+222.64%	-6.60%	+1.43%	+127.62%

In October, the Fund fell by 10.96% and the S&P500 fell by 6.60% as rising bond yields triggered a fear that the next recession is on its way. Consequently, small stocks did worst, with the Russell2000 down 10.91% and our portfolio, weighted to small financials and cyclicals, did even worse.

We have not been expecting a recession and the weakness in small banks hurts. Our case is that they are at heart growth stocks and they have all just come in with another good

quarter, putting most on 11 or 12 x forward earnings and growing earnings between 10 and 15%. We haven't seen ratings like this since Peter Lynch described them in One Up on Wall Street in the 1980s. The bear case is that this wondrousness is the peak, winter is coming and we can look forward to declining credit quality, declining loan revenues and compacting net interest margins.

The ratings in the market are higher now because of the prolonged lower interest rate environment. The search for growth at a reasonable price is why we have crowded into this financial corner of the world. We have not been expecting recession and to position for it would mean moving into cash. In the market there has been some rotation from rapid growth into steady growth, such as from technology into health care, but given the high ratings of all concerned, this would seem to be only a vote for going down at a slower rate.

We're past one of those periodic horrid Octobers to the six months of positive seasonality, with our stocks trading well below their averages and yet coming through the September quarter with no earnings deterioration. Valuations are already significantly down in many sectors and while a real recession would take them lower, there is no evidence that it has to happen.

Risk Warnings and Other Important Information

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The Fund qualifies as an Undertaking for Collective Investment in Transferable Securities (UCITSIII).

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