

# FP Tellsons Endeavour Fund

Short Report for the period ended 30 September 2014

## Investment Objective and Policy

The investment objective of the Fund is to seek to achieve long-term capital growth with less of the volatility of equities.

The Investment Manager aims to achieve the Fund's objective by investing predominantly in a diverse global allocation of direct investment in equities and corporate bonds. The Fund may also invest in other transferable securities, warrants, cash, near cash, deposits and money market instruments.

Subject to the requirements of the Regulations, this Investment Policy and the general investment and borrowing restrictions set out in the Prospectus, there will be no restrictions on the underlying content of the investments held, in terms of investment type, geographical or economic sector, meaning that the Investment Manager has the absolute discretion to weight the portfolio towards any permitted investment type or sector at any time.

The use of derivatives is permitted by the Fund for efficient portfolio management purposes (including hedging), and borrowing will be permitted under the terms of the Regulations, but any borrowing will not be used for gearing or to create leverage within the Fund even on a temporary basis. On giving 60 days' notice to shareholders, the Fund may, in addition to its other investments powers, use derivatives and forward transaction for investment purposes. It is not intended that the use of derivatives in this way will change the risk profile of the Fund.

The Fund will be managed in a manner that maintains eligibility for ISAs.

## Fund Facts

Interim/Annual Accounting End Dates	Ex-dividend (xd) Dates	Income Distribution/Accumulation Dates
30 September	01 October	30 November
31 March	01 April	31 July

## Risk Profile

Please refer to the Full Prospectus for details of all the risks. The Fund has exposure to credit, counterparty and usual market risks. Past performance is not a guide to future performance. The value of investments and any income from them may go down as well as up. Exchange rate changes may cause the value of any overseas investments to rise or fall. You should always regard investments in the Fund as medium to long term.



## Charges

Share Class	Initial Charge	Annual Management Charge	Ongoing Charge Figure (excluding Performance Fee) as at 30/09/14	Performance Fee* as at 30/09/14
IF Class Institutional Accumulation	0.00%	0.75%	1.06%	Not applicable
IF Class Institutional Income	0.00%	0.75%	1.06%	Not applicable
PF Class Retail Accumulation	0.00%	0.00%	0.31%	0.21%
RF Class Retail Accumulation	0.00%	1.00%	1.31%	Not applicable
RF Class Retail Income	0.00%	1.00%	1.31%	Not applicable

\*Performance fee is applied under certain conditions.

Note: Being the first accounting period, no prior period comparatives are presented for this Fund.

Performance fee - 20% of any returns the Fund achieves above the performance of a composite benchmark consisting of 50% UK CPI (rolling 5-year average) /50% UK 5-year and less Gilt Index, accrued daily and paid quarterly in arrears. Please see Prospectus for more details.

## Distributions/Accumulations

The distribution for IF Class Institutional Accumulation Share Class is 1.1835p per share, payable 30 November 2014.

The distribution for IF Class Institutional Income Share Class is 1.2126p per share, payable 30 November 2014.

The distribution for PF Class Retail Accumulation Share Class is 1.4643p per share, payable 30 November 2014.

The distribution for RF Class Retail Accumulation Share Class is 1.0201p per share, payable 30 November 2014.

The distribution for RF Class Retail Income Share Class is 1.0256p per share, payable 30 November 2014.

## Comparative Tables

### Net Asset Value

Date	Net Asset Value of Share Class (£)	Shares in issue	Net Asset Value per Share (p)
Share Class IF Class Institutional Accumulation			
30/09/14	1,013,721	1,000,000	101.37
Share Class IF Class Institutional Income			
30/09/14	45,111	45,005	100.24
Share Class PF Class Retail Accumulation			
30/09/14	101,713	100,049	101.66
Share Class RF Class Retail Accumulation			
30/09/14	22,749,414	22,478,724	101.20
Share Class RF Class Retail Income			
30/09/14	350,655	350,015	100.18

### Price and Revenue History

Calendar Year	Highest Published Share price (p)	Lowest Published Share price (p)	Net Revenue Share price (p)
Share Class IF Class Institutional Accumulation			
2014 <sup>1</sup>	103.04	99.75	1.1835
Share Class IF Class Institutional Income			
2014 <sup>3</sup>	103.12	99.82	1.2126
Share Class PF Class Retail Accumulation			
2014 <sup>1</sup>	102.93	99.90	1.4643
Share Class RF Class Retail Accumulation			
2014 <sup>2</sup>	102.89	99.62	1.0201
Share Class RF Class Retail Income			
2014 <sup>1</sup>	102.89	99.62	1.0256

<sup>1</sup>From 31 January to 30 September 2014

<sup>2</sup>From 30 January to 30 September 2014

<sup>3</sup>From 5 February to 30 September 2014

Share Classes IF Class Institutional Accumulation, PF Class Retail Accumulation and RF Class Retail Income were launched on 27 January 2014. However, the first dealing was on 31 January 2014

Share Class RF Class Retail Accumulation was launched on 27 January 2014. However, the first dealing was on 30 January 2014

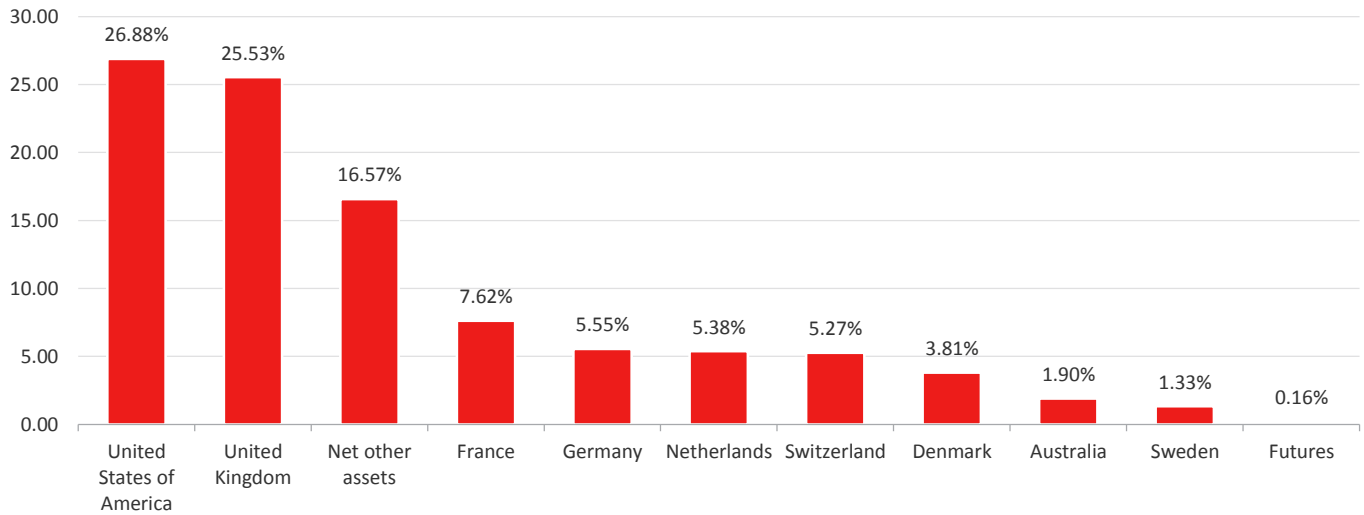
Share Class IF Class Institutional Income was launched on 27 January 2014. However, the first dealings were on 5 February 2014

### Major Holdings

Top 10 Holdings	% of Fund as at 30/09/14
General Electric Capital 6.50% 15/09/2067	4.73
Veolia Environnement 4.850%	4.51
Orange 5.875% Perpetual	2.49
CVS Health	2.48
Schlumberger	2.46
Investec Bank 9.625% 17/02/2022	2.41
Old Mutual 8.00% 03/06/2021	2.34
DONG Energy 6.25% 26/06/3013	2.29
Givaudan	2.28
Union Pacific	2.23

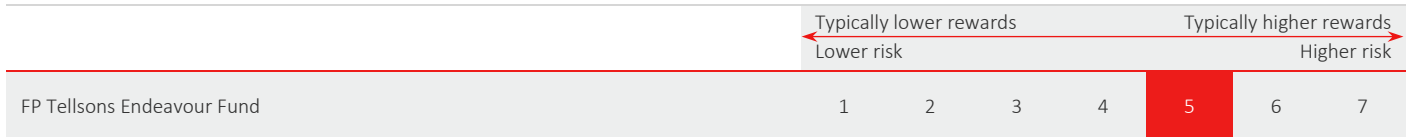
## Portfolio Information

### Breakdown by Geographical Region



## Risk and Reward Profile

As at 30 September 2014



- This indicator is based on historical data and may not be a reliable indication of the future risk profile of the Fund.
- The risk and reward category shown is not guaranteed to remain unchanged and may shift over time.
- The lowest category does not mean 'risk free'.
- The Fund appears as a '5' on the scale. This is because it invests in a mixture of investments. The value of some of these investments may vary more widely than others.

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## Investment Manager's Report

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### Investment Review

The Fund delivered a total return of 1.44% for this the first reporting period since inception against the performance benchmark return of 1.46% and the FTSE 100 return of 4.61% (Source: Bloomberg). The volatility experienced in the Fund during in this first eight month period was equivalent to an annualised rate of 3.1% vs the FTSE 100 volatility, on the same basis, of 8.0% (Sources: Bloomberg). The capital markets greeted our arrival as a public fund with some hostility at the end of January, on the back of tensions in the Middle East, Russian involvement in Ukraine and the consequent threat of sanctions to the trading environment in the Eurozone. Concern over the deceleration of growth rates in China and a possible hard-landing unsettled emerging markets and anxieties about slower economic activity in the US's worst winter on record had the market anticipating some kind of a correction after the rapid run up in 2013. As economic data continued the 'stopstart' theme of recent years, bond markets and currency markets were finding it difficult to price the differentials in intermediate yields and how to time the inevitable turn in key central bank target lending rates.

These issues remained the dominant investment themes throughout the period. The Tellsons team approached the initial investment phase with caution and maintained this stance throughout the period, taking advantage of weakness in markets from time to time to build up the targeted medium-term investments in both bonds and equities. As published on the Tellsons website in November 2013, our main concerns had been for the sustainability of earnings growth to justify the high valuations markets had placed on companies, especially in the US and UK, [In Brief: Earnings and Market Valuation, Nov2013]. We also found it difficult to discern any significant signs of capital spending and fixed asset formation that so often has heralded the beginning of the business cycle. At the same time, bond markets showed signs of extreme valuation and sensitivity to higher interest rate and rising yield curve expectations.

The investment team managed the investment risks throughout the period with judicious use of day to day hedging of equities and currency exposures to reduce the imminent downside risks and dampen volatility (as prescribed in the Fund's remit for efficient portfolio management). Only two equity investments from the fund were exited during the period: BNP, the French bank, following indictment for criminal financing activities in the US and Danaher Corporation where we reduced our expectations for their acquisition-led growth strategy. Some of our short-dated and longer-dated bond investments were also sold as we reshaped our yield and maturity profile.

By the end of the period under review, the team had established the desired medium- term investment profile for the Endeavour Fund in both equities and bonds: an allocation between them not dissimilar to the long-term allocation expected of the strategy at 60:40 in favour of equities. The bond investments continue to display a cautious 6 year maturity on average, adjusted for issuer redemption options, and BBB credit rating to generate a reasonable running yield of 6% whilst sheltering from the worst of any rising yield curve environment. Our equity investments remain well diversified geographically, generating a reliable dividend of just less than 3%, and analyst research consensus expectations of double digit earnings growth. The average market capitalisation of our equity investments stood at £59bn, with a 12 month forward Price:Earnings multiple ('PE') of 15.4x vs the UK FTSE AllShare at 14x and US S&P500 at 16.5x (Source: Bloomberg). The six biggest contributors to fund performance were amongst our top 10 equity investments at the end of the period.

### Outlook

We are very focussed on how global capital markets will accept that the unprecedented policies of quantitative easing have come to an end, at least in the US, and that the economy, again mainly in the US, has to be able to walk free from these years of intensive care unaided and unassisted. The period of rest and recuperation could be brief before expectations of rising interest rates take hold, in all likelihood in the US before anywhere else, with the possible appreciation of the USD against its main trading partners. Both equities and bond markets may experience volatile conditions as they transition into this normalisation phase of the recovery.

## Investment Manager's Report (continued)

### Outlook (continued)

The transition could exhibit many of the characteristics of the early 1990s when central bank rate policies turned rapidly upwards. The investment team will be ready to protect investments in the short-term, whilst harvesting the dividend and interest income they can produce. The return on the Fund's benchmark of short-to-medium term UK government bonds and CPI inflation should remain low for most of the Second Half of the year to March 2015.

#### Tellsons Investors LLP

Investment Manager to the Fund

24 October 2014

## Significant Information

Following a review of its business and the rising costs of providing the service, the Depositary and Custodian of the Fund, State Street Trustees Limited (SSTL) has decided to focus attention on other segments of the market. Consequently, they have resigned from their responsibilities for the FP Tellsons ICVC Fund.

We have identified and appointed a new provider, Northern Trust Global Services Limited (NTGSL), as the best suited to take on these duties of looking after the security of the Fund's assets. Unfortunately across the industry the cost for providing depositary services has increased as result of new financial regulation and this is reflected in a revised levy. However in mitigation of these increases we have negotiated a lower custody fee as detailed below.

Below we have formally laid out the change and its impact on costs. Shareholders were informed of these changes in a letter dated 6 November 2014.

We as the Authorised Corporate Director have written to the FCA notifying them of this course of action and have given 60 days' written notice of the change, by virtue of our letter dated 6 November 2014.

### Depositary & Custodian Change

The new depositary is Northern Trust Global Services Limited (NTGSL). NTGSL has appointed The Northern Trust Company to be the custodian of the Funds' assets, in the place of State Street Bank and Trust Company.

Following the change of Depositary to Northern Trust Global Services Limited the minimum charge for the GAC will be increased to £54,000.

The fee in respect of custody of assets has now reduced from a minimum of £2,000 per Fund per month to a minimum of £625 per Fund per month.

The information in this report is designed to enable shareholders to make an informed judgment on the activities of the Fund during the period it covers and the result of those activities at the end of the period. The long Report and Accounts are available free of charge on request. For more information about the activities and performance of the Fund during the period and previous periods, please contact:

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**WAY Fund Managers Limited**  
 Cedar House, 3 Cedar Park  
 Cobham Road, Wimborne  
 Dorset, BH21 7SB  
**Customer Service Centre: 01202 855 856**  
**www.fundpartnersco.uk**

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 20 Churchill Place,  
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 From 14 July 2014  
**Northern Trust Global Services Limited**  
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 Canary Wharf,  
 London, E14 5NT

**Investment Manager**  
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 London, SW7 2LQ

**Auditor**  
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 30 Finsbury Square,  
 London, EC2P 2YU