

# FP Tellsons Endeavour Fund

Short Report for the six months ended 30 September 2015

## 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 as at 30/09/15 | Ongoing Charge Figure as at 30/09/15 | Performance Fee* as at 30/09/15 | Ongoing Charge Figure as at 31/03/15 | Performance Fee* as at 31/03/15 |
|------------------------|----------------|---|--------------------------------------|---------------------------------|--------------------------------------|---------------------------------|
| IF Class Institutional | 0.00%          | 0.75%                                   | 1.14%                                | N/A                             | 1.06%                                | N/A                             |
| PF Class Retail        | 0.00%          | 0.00%                                   | 0.39%                                | 0.00%                           | 0.31%                                | 0.63%                           |
| RF Class Retail Income | 0.00%          | 1.00%                                   | 1.39%                                | N/A                             | 1.31%                                | N/A                             |

\*Performance fee is applied under certain conditions.

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 refer to Prospectus for more details.

## Distributions/Accumulations

| Share Class                               | Net Revenue (p) | Equalisation (p) | Distribution payable 30/11/15 (p) | Distribution paid 30/11/14 (p) |
|---|-----------------|------------------|-----------------------------------|--------------------------------|
| Share Class IF Institutional Accumulation |                 |                  |                                   |                                |
| Group 1                                   | 1.0895          | -                | 1.0895                            | 1.1835                         |
| Group 2                                   | 0.5088          | 0.5807           | 1.0895                            | 1.1835                         |
| Share Class IF Institutional Income       |                 |                  |                                   |                                |
| Group 1                                   | 0.0000          | -                | 0.0000                            | 1.2126                         |
| Group 2                                   | 0.0000          | 0.0000           | 0.0000                            | 1.2126                         |
| Share Class PF Retail Accumulation        |                 |                  |                                   |                                |
| Group 1                                   | 1.4700          | -                | 1.4700                            | 1.4643                         |
| Group 2                                   | 1.1922          | 0.2778           | 1.4700                            | 1.4643                         |
| Share Class RF Retail Accumulation        |                 |                  |                                   |                                |
| Group 1                                   | 0.9588          | -                | 0.9588                            | 1.0201                         |
| Group 2                                   | 0.5389          | 0.4199           | 0.9588                            | 1.0201                         |
| Share Class RF Retail Income              |                 |                  |                                   |                                |
| Group 1                                   | 0.9419          | -                | 0.9419                            | 1.0256                         |
| Group 2                                   | 0.9419          | 0.0000           | 0.9419                            | 1.0256                         |

## Comparative Tables

### Net Asset Value

| Date                                      | Net Asset Value of Share Class (£) | Shares in issue | Net Asset Value pence per Share |
|---|------------------------------------|-----------------|---------------------------------|
| Share Class IF Institutional Accumulation |                                    |                 |                                 |
| 31/03/15                                  | 1,132,652                          | 1,087,452       | 104.16                          |
| 30/09/15                                  | 1,066,896                          | 1,106,283       | 96.44                           |
| Share Class IF Institutional Income       |                                    |                 |                                 |
| 31/03/15                                  | 46,072                             | 45,101          | 102.15                          |
| 30/09/15                                  | 21,385                             | 22,609          | 94.59                           |
| Share Class PF Retail Accumulation        |                                    |                 |                                 |
| 31/03/15                                  | 115,540                            | 110,658         | 104.41                          |
| 30/09/15                                  | 100,331                            | 103,402         | 97.03                           |
| Share Class RF Retail Accumulation        |                                    |                 |                                 |
| 31/03/15                                  | 23,276,550                         | 22,412,673      | 103.85                          |
| 30/09/15                                  | 21,548,157                         | 22,442,802      | 96.01                           |
| Share Class RF Retail Income              |                                    |                 |                                 |
| 31/03/15                                  | 357,380                            | 350,015         | 102.10                          |
| 30/09/15                                  | 327,095                            | 350,015         | 93.45                           |

### Price and Revenue History

| Calendar Year                             | Highest Published Share price (p) | Lowest Published Share price (p) | Net Revenue per Share (p) |
|---|-----------------------------------|----------------------------------|---------------------------|
| Share Class IF Institutional Accumulation |                                   |                                  |                           |
| 2014 <sup>2</sup>                         | 105.52                            | 99.75                            | 1.1835                    |
| 2015 <sup>4</sup>                         | 105.96                            | 96.08                            | 1.9374 †                  |
| Share Class IF Institutional Income       |                                   |                                  |                           |
| 2014 <sup>3</sup>                         | 104.31                            | 99.77                            | 1.2126                    |
| 2015 <sup>4</sup>                         | 104.58                            | 94.23                            | 0.8398 †                  |
| Share Class PF Retail Accumulation        |                                   |                                  |                           |
| 2014 <sup>2</sup>                         | 105.27                            | 99.90                            | 1.4643                    |
| 2015 <sup>4</sup>                         | 106.03                            | 96.67                            | 2.3028 †                  |
| Share Class RF Retail Accumulation        |                                   |                                  |                           |
| 2014 <sup>1</sup>                         | 105.31                            | 99.62                            | 1.0201                    |
| 2015 <sup>4</sup>                         | 105.64                            | 95.66                            | 1.6701 †                  |
| Share Class RF Retail Income              |                                   |                                  |                           |
| 2014 <sup>2</sup>                         | 104.22                            | 99.62                            | 1.0256                    |
| 2015 <sup>4</sup>                         | 104.44                            | 94.05                            | 1.6454 †                  |

1 From 30 January to 31 December 2014.

2 From 31 January to 31 December 2014.

3 From 5 February to 31 December 2014.

4 From 1 January to 30 September 2015.

† Includes the distributions paid 31 July and payable 30 November 2015.

All Share Classes were launched 27 January 2014.

## Comparative Tables (continued)

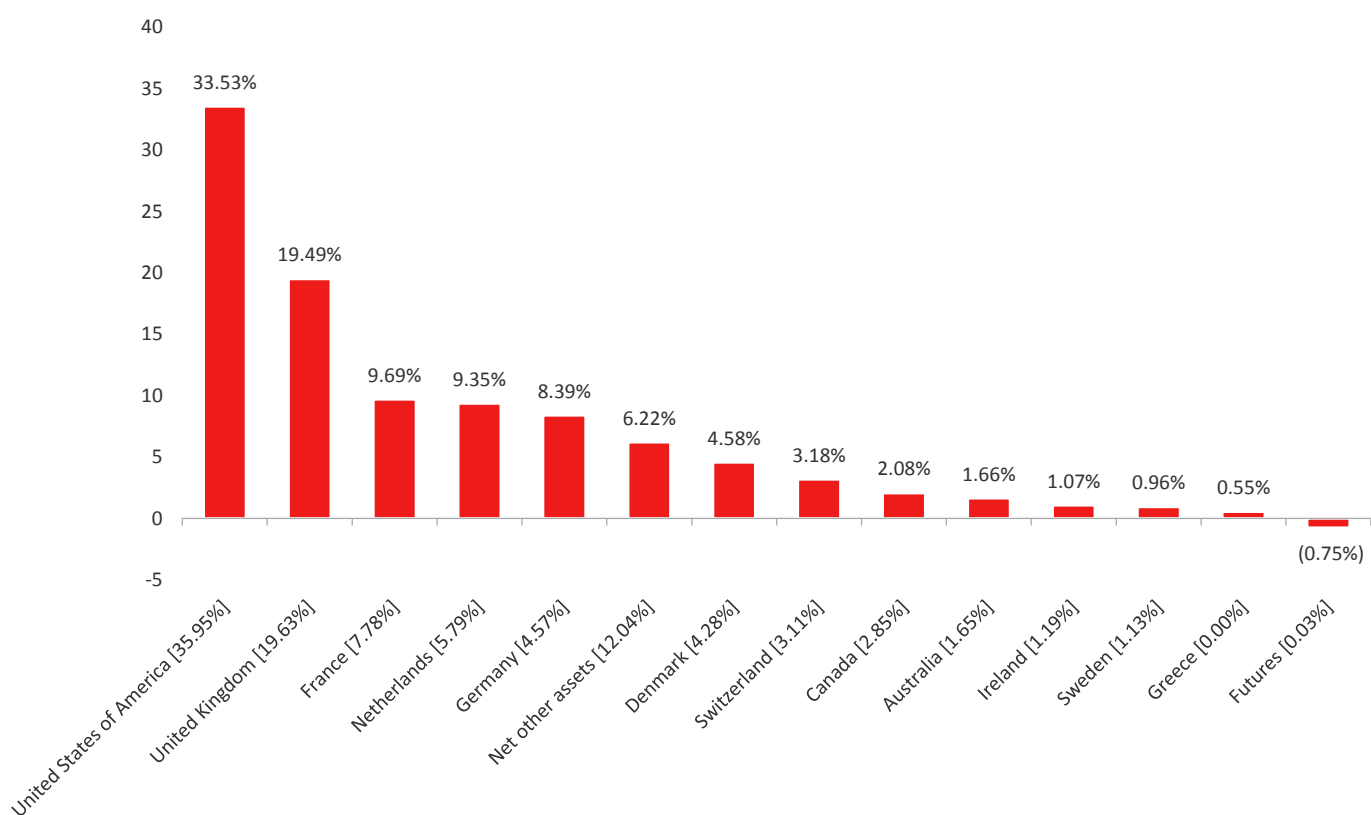
### Major Holdings

| Top 10 Holdings                                    | % of Fund as at 30/09/15 |
|--|--------------------------|
| Centrica 5.25% Bonds 10/04/2075                    | 4.56                     |
| Electricite de France 5.875% Bonds Perpetual       | 4.24                     |
| RWE 7% Bonds Perpetual                             | 4.21                     |
| CVS Health   | 3.01                     |
| Shell International Finance 3.25% Bonds 11/05/2025 | 2.82                     |
| Orange 5.875% Bonds Perpetual                      | 2.61                     |
| Investec Bank 9.625% Bonds 17/02/2022              | 2.58                     |
| Novo Nordisk                                       | 2.43                     |
| EDP Finance 5.25% Bonds 14/01/2021                 | 2.41                     |
| Old Mutual 8% Bonds 03/06/2021                     | 2.40                     |

| Top 10 Holdings                                | % of Fund as at 31/03/15 |
|--|--------------------------|
| General Electric Capital 6.5% Bonds 15/09/2067 | 4.56                     |
| Veolia Environnement 4.85% Bonds Perpetual     | 4.49                     |
| CVS Health                                     | 2.76                     |
| Orange 5.875% Bonds Perpetual                  | 2.57                     |
| Comcast  | 2.55                     |
| Investec Bank 9.625% Bonds 17/02/2022          | 2.40                     |
| EDP Finance 5.25% Bonds 14/01/2021             | 2.34                     |
| Old Mutual 8% Bonds 03/06/2021                 | 2.32                     |
| RWE 7% Bonds Perpetual                         | 2.17                     |
| DONG Energy 6.25% Bonds Perpetual              | 2.14                     |

## Portfolio Information

### Breakdown by Geographic Region



Comparative figures shown above in square brackets relate to 31 March 2015

## Risk and Reward Profile

As at 30 September 2015

|                | Typically lower rewards<br>← Lower risk |   |   | 4 | Typically higher rewards<br>Higher risk → |   |   |
|----------------|---|---|---|---|---|---|---|
| Share Class RF | 1                                       | 2 | 3 | 4 | 5   | 6 | 7 |
| Share Class IF | 1                                       | 2 | 3 | 4 | 5   | 6 | 7 |
| Share Class PF | 1                                       | 2 | 3 | 4 | 5   | 6 | 7 |

- The indicator is based on historical data and may not be a reliable indication of the future risk profile of the Fund.
- The risk 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 "4" 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.

## Investment Manager's Report

### Investment Review

The Half Year from March appeared to get off to a good start with Europe lifted by the ECB's new Quantitative Easing programme. Economic data in the US suggested a weaker oil price would give consumers more spending power and a welcome boost to growth. However, the strong USD and poor winter weather held back corporate earnings as the Second Quarter reporting season unfolded there. Economic momentum that had been building in Europe waned as Greek debt restructuring pushed the country to the brink of default. As we had cautioned in our Annual Report to end March, the European markets were likely to be sensitive to these negotiations and indeed equity markets fell to eliminate substantially all the gains made for the year to date.

No sooner had the Greek crisis worked its way to some kind of a resolution by mid-summer than new concerns emerged about the slowing Chinese economy. These concerns forced the devaluation of the renminbi, sending mining and energy company valuations tumbling around the world on fears of dwindling growth. This anxiety was compounded in September when the US Federal Reserve kept interest rates on hold, citing the recent market fragility as cause for concern.

The Fund return was down -8.1% for the period against the Performance Benchmark return of +0.8%. The main equity indices were also down: FTSE 100 down -8.7%, DAX down -19.3%, S&P500 down -6.2% and the MSCI All Country World index down -9.1%. The Barclays Global Aggregate Corporate bond index (in USD) was also down 1.6%. The Fund managed to maintain a relatively low volatility of 6.5% (monthly, annualised) against 13.1% for the FTSE 100, 11.2% for the S&P500 and 21% for the DAX (source: Bloomberg). Given the Fund's objective of capital growth comparable to equities across a full business cycle, the Fund has been able to mitigate against some of the worst losses in its main equity markets whilst continuing to maintain a relatively low risk profile as markets struggle to break free of central bank intervention and policy dependency.

The Fund's equity investments comprised an average 62% through the period and contributed -6.4% in absolute terms and the bond investments comprised an average 30% of the Fund through the period and contributed 1.6% in absolute terms. (All local currencies, source StatPro, Apex, Tellsons).

Throughout the period we used derivatives within the remit of efficient portfolio management to seek to reduce some of the risks of the investments and in contrast to last year, these risk management activities added value, both in positive returns and reduced volatility: equity index futures added 1.5%, interest rates 0.3%, while currency management relative to GBP cost -1.0%.

## Investment Manager's Report (continued)

### Investment Review (continued)

During the period we took the opportunity to harvest some profits from our equity investments in PepsiCo and Walmart and also UK-listed SABMiller on the news of an impending bid from their arch rival ABInbev. We took the chance to shelter from some of the slowdown in emerging economies that was impacting earnings from Cummins, United Technologies, and Deere, all investments in the US that we exited during the period. We reinvested the proceeds in new opportunities we had been developing in the payments technology sector, initiating investments in Wirecard and Ingenico in Europe and Verifone in the US, and adding to our investments in Visa and Apple. We made a first time investment in Splunk which provides enterprise software solutions to the newly emerging machine data sector. We took the chance of broad-based weakness in valuations to add to financial sector investments: ING in Europe and other banks principally in the Western U.S. such as Wells Fargo, and new investments in PacWest Bancorp and Silicon Valley Bank (SVB Financial Group). We added further to our healthcare investments Novo Nordisk (diabetes, Bayer(pharma/consumer health) and made new investments in medical technology company Globus Medical and managed care organisation Centene expanding our theme of continued Strong demand for health-improving and life-prolonging drugs, medical devices and services.

With our bond investments we took the precaution to extend our maturity profile whilst maintaining the running yield at attractive levels, preparing for the possibility that the low interest rate recovery is drawn out still further and to ensure enough yield contribution for the Fund in the medium-term. Ten year yields in the UK and US have been extremely volatile, indicating the market's uncertainty about growth rates and the timing or even the need for any interest rate rises at all. To achieve this maturity extension, we sold our investments in General Electric and Veolia and made new investments in Electricite de France and UK gas distribution utility Centrica and added to RWE. We also took advantage of weakness in energy markets to acquire some bonds issued by Royal Dutch Shell to sit alongside our equity investment.

The Top 20 contributors to the Fund's performance in the period included some of the Fund's biggest investments:

|    | <b>Name (Country)</b>      | <b>Equity/ Bond</b> | <b>Contribution to return %</b> | <b>Total Return %</b> |
|----|----------------------------|---------------------|---------------------------------|-----------------------|
| 1  | Wirecard (GER)             | E                   | 0.25                            | 20.75                 |
| 2  | BG Group (UK)              | E                   | 0.21                            | 21.46                 |
| 3  | National Grid (UK)         | E                   | 0.11                            | 9.71                  |
| 4  | Reckitt Benkiser (UK)      | E                   | 0.10                            | 5.46                  |
| 5  | Rabobank (NED)             | B                   | 0.08                            | 5.27                  |
| 6  | Veolia Environnement (FRA) | B                   | 0.08                            | 2.04                  |
| 7  | SABMiller (UK)             | E                   | 0.06                            | 3.92                  |
| 8  | Visa (US)                  | E                   | 0.06                            | 7.23                  |
| 9  | Pepsico (US)               | E                   | 0.04                            | 4.46                  |
| 10 | Royal Dutch Shell (UK)     | B                   | 0.04                            | 1.37                  |
| 11 | United Parcel Service (US) | E                   | 0.03                            | 3.28                  |
| 12 | Comcast (US)               | E                   | 0.03                            | 1.15                  |
| 13 | United Utilities (UK)      | E                   | 0.02                            | 1.75                  |
| 14 | VeriFone Systems (US)      | E                   | 0.01                            | -0.61                 |
| 15 | Ingenico Group (FRA)       | E                   | 0.01                            | 1.89                  |
| 16 | Reed Elsevier (UK)         | E                   | 0.01                            | 0.05                  |
| 17 | Rexam (UK)                 | B                   | 0.01                            | 0.66                  |
| 18 | EDP Energias de Portugal   | B                   | 0.01                            | 0.30                  |
| 19 | JC Decaux (FRA)            | E                   | 0.00                            | 0.00                  |
| 20 | South32 (UK)               | E                   | 0.00                            | -4.42                 |
|    | <b>Total</b>               |                     | <b>1.16</b>                     |                       |

## Investment Manger's Report (continued)

### Investment Review (continued)

The Top 20 detractors to the Fund's performance in the period also included a number of the Fund's biggest investments - Bayer, RWE, Givaudan, Apple, CVS Health, where we took the opportunity to add to each of them, amongst others, on weakness during the period:

|    | Name (Country)           | Equity/ Bond | Contribution to return % | Total Return % |
|----|--------------------------|--------------|--------------------------|----------------|
| 72 | Yamana (CAN)             | E            | -0.33                    | -49.86         |
| 71 | BHP Billiton (UK)        | E            | -0.33                    | -24.14         |
| 70 | Bayer (GER)              | E            | -0.31                    | -16.84         |
| 69 | Goldcorp (CAN)           | E            | -0.30                    | -25.96         |
| 68 | Royal Dutch Shell (UK)   | E            | -0.30                    | -20.48         |
| 67 | Schlumberger (US)        | E            | -0.24                    | -16.35         |
| 66 | Wal-Mart (US)            | E            | -0.23                    | -21.52         |
| 65 | Vedanta Resource (UK)    | B            | -0.23                    | -20.79         |
| 64 | United Technologies (US) | E            | -0.22                    | -21.70         |
| 63 | RWE (GER)                | B            | -0.22                    | -7.10          |
| 62 | Union Pacific (US)       | E            | -0.22                    | -17.41         |
| 61 | Givaudan (SWI)           | E            | -0.21                    | -10.05         |
| 60 | Anadarko Petroleum (US)  | E            | -0.20                    | -26.55         |
| 59 | Cummins (US)             | E            | -0.20                    | -17.22         |
| 58 | Apple (US)               | E            | -0.19                    | -10.46         |
| 57 | CVS Health (US)          | E            | -0.19                    | -5.90          |
| 56 | JC Decaux (FRA)          | E            | -0.18                    | -17.92         |
| 55 | Medtronic (US)           | E            | -0.17                    | -13.26         |
| 54 | Abbott Laboratories (US) | E            | -0.14                    | -12.32         |
| 53 | BMW (GER)                | E            | -0.14                    | -30.08         |
|    | Total                    |              | -4.55                    |                |

### Outlook

Our equity investments remain well diversified at the Half Year point and based on analyst research consensus expectations they are forecast to generate dividends of over 2% next year and earnings growth over the next 2-3 year period of c.12% p.a. The average market capitalisation of our equity investments stood at £59bn with a 12 month forward price-to-earnings multiple (PE) of 19x vs the UK FTSE 100 at 15x; US S&P500 at 16x; and DAX at 12x (source: Bloomberg). Our bond investments at 35% represent slightly more of the Fund than last year with a similar running yield of 5.8%, BBB- credit rating and 7.9 years unhedged maturity profile (adjusted for issuer repayment options and coupon rate resets). Given the uncertainty around interest rates and the poor liquidity profile in all bond markets, we expect to see some volatility in the valuation of bond investments but we will be ready to add to these investments on bouts of weakness, where it makes sense.

## Investment Manager's Report (continued)

### Outlook (continued)

Prospects for economic growth around the globe are still finely poised but as the investment advisors to the Fund we have confidence in the relative strength of the US where the recovery is more established and self-sustaining than in other markets. There is still controversy around the need for and timing of a rise in US or UK interest rates and this will continue to cause volatility in both bond and equity markets in coming months. When or if interest rates do rise, it would be indicative of a stronger and more durable recovery and should help underpin confidence in the economy more broadly in the medium term. For as long as rates do not rise, markets will remain highly sensitive to every new economic data release and the sustainability of such low growth levels in the global economy. For the time being, the evidence is building that monetary policy can only do so much to drive the economy forward and support asset valuations. At some point producers and consumers need to pick up the challenge, and the risks and rewards must incentivise them to do so.

### Investment Manager

Tellsons Investors LLP  
21 October 2015

## Significant Information

From 12 November 2015, the auditor for this Company will change from Grant Thornton LLP to Deloitte LLP. This brings the Fund in line with other Funds operated within the ACD's group.

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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**From 12 November 2015**  
**Deloitte LLP**  
**Chartered Accountants and**  
**Statutory Auditors**  
Saltire Court, 20 Castle Terrace  
Edinburgh, EH1 2DB

Authorised and regulated by the Financial Conduct Authority (FCA)

Authorised by the Prudential Regulation Authority (PRA) and regulated by the FCA and the PRA

Authorised and regulated by the FCA