



FP TELLSONS ENDEAVOUR FUND

2nd ANNIVERSARY, FEBRUARY 2016

Dear investors and friends,

The FP Tellsons Endeavour fund celebrated its second anniversary as a public fund at the end of January and we wanted to mark the occasion with an update on our progress.

During these last two years Endeavour has returned -2.7%. During the same period the FTSE 100 returned 1.7%, the DAX 30 returned -1.9% and the S&P 500 returned 33.1% (total return in GBP source: Bloomberg, Tellsons).

We imagine the recent turbulence in financial markets hasn't gone unnoticed: Endeavour is down 7% in the period from its high last July to the end of January while the FTSE 100 is down 12.3%, the DAX 30 is down 15.8% and the S&P 500 up 0.7% (all from their respective highs last year, total returns in GBP, to the end of January; source: Bloomberg, Tellsons).

We were cautious on launch in 2014 as we edged our way out of the harbour into some pretty choppy waters. Russia had just invaded Ukraine, markets were nervous and we were very mindful that it was our first year as a public fund. Unfortunately our caution cost us: whilst our underlying investments generated strong returns we had only put half of our equity investments to work by the autumn, keeping our cash levels at roughly 30% during that first year.

When Mario Draghi announced quantitative easing (QE) across the Eurozone late in 2014, we were cautious again: sceptical he would win approval from his political paymasters and sceptical that QE would work given rates already as low as they were. Alas timing is everything and while our scepticism was vindicated the spring we had nonetheless foregone as much as 5% in performance relative to our Investment Association peer group.

That market consensus has unravelled in the opening weeks of 2016 and this time our caution has served us rather better. We have always said that companies would only start spending again once their managements could gauge risk-based returns in a normalised interest rate environment; only then would we see confidence return and a proper business cycle getting under way, as it were picking up the baton of growth from the exhausted survival medication of endless QE. Those conditions now exist in the US - nominally at least - with the first tentative rise in interest rates for almost a decade though the jury is still out whether that was too little, too late or too much, too early – indeed whether QE 1, 2 and 3 in the US has worked at all.

We have been making significant progress on the business front: we have launched a discounted Social Purpose share class for Endowment funds, Charities and Defined Contribution (DC) pension schemes and have been added to the panel of one of the UK's largest DC plans. And we are available on investment platforms reaching about 70% of the direct investment marketplace including Hargreaves Lansdown and Cofunds. Several leading writers on investment matters in the UK have taken notice of us: Jeff Prestridge in the Mail on Sunday, Merryn Somerset Webb in FT Money and David Stevenson in MoneyWeek who described the Endeavour investment philosophy as "coherent, convincing". We were also nominated for our first industry award as the Best New Multi-Asset Fund in the Professional Adviser Awards 2015.

The companies we invest in are mostly industry leaders in the UK, continental Europe and the US; many of them have strong balance sheets, enjoy pricing leadership in their markets and have navigated a good many business cycles. We are confident they will deliver their contractual bond interest payments, relatively consistent dividends or analyst consensus estimates of double digit earnings growth. And all this regardless of the gyrations of investment market valuations. That is why we invest in them and what we mean when we say "making capital work", quite literally the prolonged industrious effort of corporate endeavour.

For those of you who have invested so far, thank you for your confidence. For those of you who have been following our progress, thank you for your interest.

Endeavour – a new language of long-term