FP Tellsons Endeavour Fund

Short Report for the six months ended 30 September 2016

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 30/09/16	Operating Charge (excluding performance fee) as at 30/09/16	Performance Fee as at 30/09/16	Operating Charge (excluding performance fee) as at 31/03/16	Performance Fee as at 31/03/16
Share Class IF	0.00%	0.75%	1.07%	N/A	1.11%	N/A
Share Class PF	0.00%	0.00%	0.32%	0.42%	0.36%	0.00%
Share Class RF	0.00%	1.00%	1.32%	N/A	1.36%	N/A
Share Class SP	0.00%	0.40%	0.72%	N/A	0.76%	N/A

The Performance Fee will be calculated and accrued daily but will only become payable quarterly in arrears in respect of each discrete period of three months ending on 30 June, 30 September, 31 December and 31 March in each year (the "Annual Calculation Period"). The Performance Fee will accrue daily as if each day were the end of an Annual Calculation Period.

The amount of performance fee payable in respect of each calculation period is a Sterling amount equivalent to the product of:

(a) The opening NAV;

(b) The greater of (i) excess performance fee and (ii) Benchmark level;

(c) The rate of the performance fee (being 20% of the outperformance of the target price); and

(d) The average number of Shares in issue during the Calculation Period.

The Benchmark for each Calculation Period is the level of the composite index, being 50% UK Consumer prices Index (rolling 5-year average) / 50% UK 5-year Gilt Index (“the Benchmark Index”) on the last Business Day of the previous Calculation Period (the “Benchmark Level”).

The accrual for a performance fee shall reflect the average number of Shares in issue during the Performance period.

Full details can be found in the prospectus.

Distributions/Accumulations

Distributions	Distribution payable 30/11/16	Distribution paid 30/11/15
Share Class IF Institutional Accumulation	0.0000	1.0895
Share Class IF Institutional Income	0.0000	0.0000
Share Class PF Retail Accumulation	0.5945	1.4700
Share Class RF Retail Accumulation	0.5041	0.9588
Share Class RF Retail Income	1.0829	0.9419
Share Class SP Institutional Accumulation	0.0000	n/a

Share Class SP Institutional Accumulation was launched on 27 January 2014. However, the first dealing was on 22 October 2015.

Comparative Tables

Net Asset Value

Date	Net Asset Value of Share Class (£)	Shares in issue	Net Asset Value pence per Share	Percentage Change (%)
Share Class IF Institutional Accumulation				
31/03/16	1,060,343	1,060,941	99.94	
30/09/16	1,175,849	1,109,446	105.99	6.05
Share Class IF Institutional Income				
31/03/16	3,463	3,533	98.02	
30/09/16	1,319	1,269	103.94	6.04
Share Class PF Retail Accumulation				
31/03/16	98,961	98,054	100.93	
30/09/16	104,911	98,054	106.99	6.00
Share Class RF Retail Accumulation				
31/03/16	22,277,779	22,417,375	99.38	
30/09/16	23,599,701	22,421,928	105.25	5.91
Share Class RF Retail Income				
31/03/16	300,008	311,822	96.21	
30/09/16	314,372	311,822	100.82	4.79
Share Class SP Institutional Accumulation				
31/03/16	6,054	6,063	99.85	
30/09/16	6,431	6,063	106.07	6.23

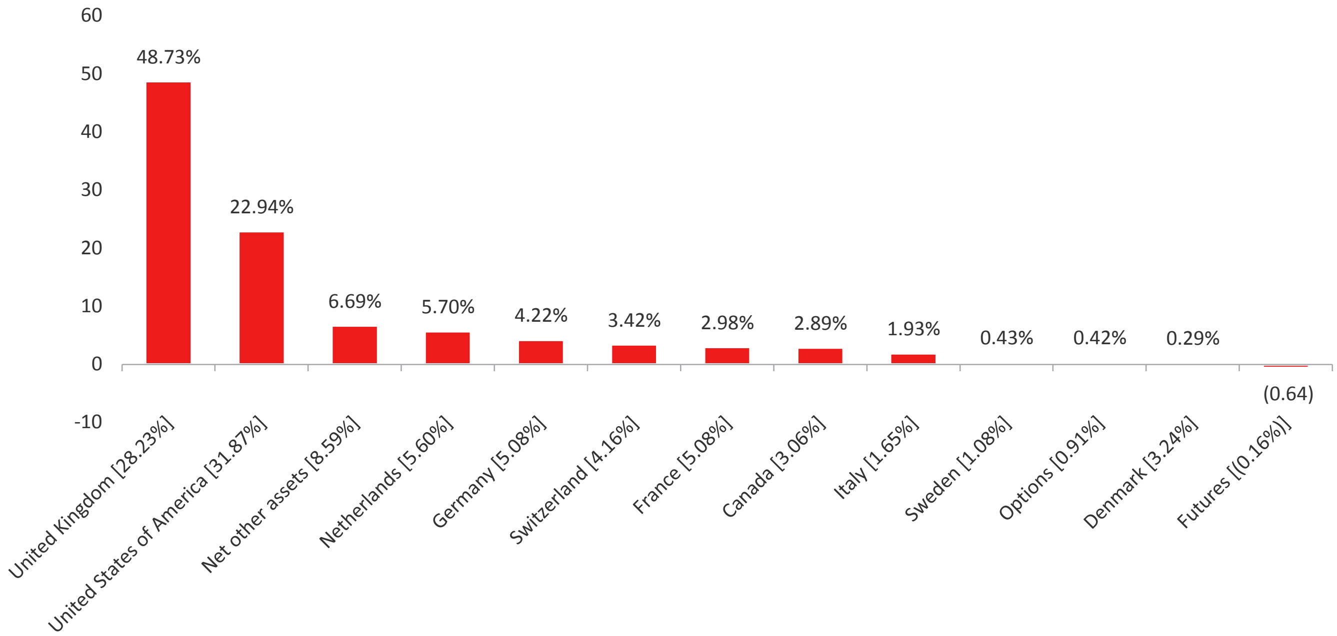
Major Holdings

Top 10 Holdings	% of Fund as at 30/09/16
UK Treasury Inflation Linked 0.125% Bonds 22/03/2026	7.02
UK Treasury Inflation Linked 0.125% Bonds 22/03/2046	5.04
Visa	3.29
Worldpay	3.02
Wirecard	2.97
RELX	2.97
Rabobank Nederland 6.91% Bonds Perpetual 29/06/2049	2.94
Givaudan	2.92
ING	2.76
Reckitt Benckiser	2.71

Top 10 Holdings	% of Fund as at 31/03/16
US Treasury Inflation Indexed 0.625% Bonds 15/01/2026	4.13
CVS Health	3.82
US Treasury Inflation Indexed 0.625% Bonds 15/01/2024	3.54
Novo Nordisk	3.24
Rabobank Nederland 6.91% Bonds Perpetual 29/06/2049	2.94
UK Treasury Inflation Linked 1.875% Bonds 22/11/2022	2.92
UK Treasury Inflation Linked 0.125% Bonds 22/03/2024	2.73
ING	2.66
Givaudan	2.52
Investec Bank 9.625% Bonds 17/02/2022	2.45

Portfolio Information

Breakdown by Geographic Region



Country	% of Fund as at 30/09/16	% of Fund as at 31/03/16
Australia	0.00	1.61

Comparative figures shown above in square brackets relate to 31 March 2016.

Risk and Reward Profile

As at 30 September 2016

	Typically lower rewards / Lower risk						Typically higher rewards / 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
Share Class SP	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

Market overview

The new financial year dawned to slumping expectations for US growth, even as the economy appeared close to 'full employment' and hourly wage rates continued to rise, albeit at only a modest rate. Looming into sharper focus in the US was another measure of labour market capacity: the participation rate – the proportion of working age people who are in work or actively seeking work rather than opting out of the labour market altogether by perhaps retiring early or 'portfolio' working part-time. In western economies broadly it is possible this measure is in secular long term decline, as for example technology continues to challenge traditional business and employment models. It becomes more difficult in this environment to determine how much actual spare employment capacity there really is before wage inflation pressures start to build. Accordingly, the US Federal Reserve held off raising interest rates at its Spring meeting, citing slower gains in the jobs market in May and the UK's referendum on EU membership as reasons for caution. The UK vote to leave the European Union in late June caught markets by surprise: stock markets fell around the world, the GBP exchange rate fell against its main trading partners and the safe havens of bonds, the US dollar and gold performed strongly. Despite a rally in the UK stock market in the weeks that followed, supported by yet more rounds of central bank intervention, the referendum result appears likely to have consequences for growth prospects in the medium term. Political fallout from the Brexit vote and the detail of its implementation could well undermine confidence and heighten volatility in the months ahead.

As the pound has continued to slide against both Euro and US dollar, the UK stock market has risen to new highs last seen in the Tech Bubble of 1999 / 2000, fuelled by confidence in the export sector. However, UK Government bonds have become cheaper as the weakness of the currency and prospects for import price inflation may be starting to tarnish the long term investment case for overseas investors. The US dollar has also strengthened against its other main trading partners, further tightening financial conditions there and weighing against the case for an imminent rise in interest rates. In Europe and Japan, central banks refrained from extended quantitative easing as the policy's effectiveness seems to be wearing off, growth as elusive as ever.

Performance of the Fund

The Fund returned 5.7% for the period with volatility an annualised 6.1% (RF Accumulation share class; *source* : Apex) against a 6.6% return for the MSCI All Country World and 4.1% for the Barclays Global Aggregate Corporate Bond indices - each total return in USD so providing a boost to UK investors if unhedged of a further 9.7% (*source*: Bloomberg).

Investment Review

On average our equity investments have represented 65.0% and our bond investments 26.4% of the portfolio, with exposure to UK Government Index-linked bonds comprising 11.1% within that. The latter made a comparable contribution to the returns that would have been made by the corporate bonds they replaced earlier in the calendar year. Our hedging activities (for efficient portfolio management) in this fraught environment have made a -2.1%, -0.1% and 2.5% net contribution in equities, interest rates and currencies respectively during the period (source: Tellsons, Apex, StatPro).

Investment Manager's Report (continued)

Investment Review (continued)

Amongst the best performing sectors in equity markets during this period have been energy and materials, both supported by the oil price as it edged back towards $50 a barrel. In the UK specifically, small/mid-cap equities and exporters have performed very strongly on the back of the weaker pound. Our holdings in Wirecard the payments services provider, recovered well after the anonymous research note published online earlier in the calendar year appeared to have no basis in fact. We initiated an investment in AA, the UK roadside assistance provider. We consider AA to be undergoing a transformation: a recent IPO from its previous private equity owners, it has suffered from years of underinvestment and has been left with a significant debt burden. We have confidence the management will be able to grow revenues at a steady if modest rate, and regain its quasi-utility-like business profile in the years ahead. One of our long-term investments Bayer announced its merger with Monsanto of the US. Whilst it is subject to regulatory approval, the integration of the farm seeds and pesticides businesses makes sense and together with its consumer health division, creates a true world leading 'life sciences' company. We hold investments in both companies in expectation of regulatory approval before too long. Our investments in gold mining companies have continued their recovery in the period and our fundamental rationale remains intact: that is, to own proven gold reserves at substantial discounts to refined values in a world of heightening monetary instability.

Banks have been badly affected by continued low interest rates and the contraction of the net interest margins that drive their profitability. We added to most of our holdings in banks on weakness, but are still showing losses in ING, Lloyds, and RBS. We liquidated our investment in Wells Fargo at a modest loss on disclosure of apparent large-scale and sustained malpractice in their West Coast US retail banking division. Throughout most of the period we have steadily reduced our healthcare investments in the face of rising political headwinds in the US across the whole healthcare reimbursement chain. Populist grandstanding from both Republican and Democrat camps have hit earnings expectations from pharmaceutical companies (Novo Nordisk), managed care providers (Centene), and distributors (CVS). Healthcare inflation has accelerated since the beginning of the year (A g +4.9% vs general CPI 1.1%, source Bloomberg).

Investment Manager's Report (continued)

Investment Review (continued)

Top 20 Contributors					Top 20 Detractors			
Company, Country	Equity/ Bond	Contr local %[1]	TR local %[2]		Company, Country	Equity/ Bond	Contr local %[1]	TR local %[2]
UKTI 0.125% 2026	B	0.89	9.37	1	Lloyds UK	E	-0.55	-16.13
Wirecard GER	E	0.79	36.02	2	RBS UK	E	-0.54	-21.13
Randgold UK	E	0.64	15.56	3	CVS Health US	E	-0.40	-13.77
UKT 3.50% 2045	B	0.62	13.16	4	Novo Nordisk DEN	E	-0.30	-20.76
Agnico Eagle US	E	0.59	50.68	5	JC Decaux FR	E	-0.23	-24.26
RELX UK	E	0.38	15.09	6	Monsanto US	E	-0.16	-6.75
Brit. Am. Tob. UK	E	0.34	20.14	7	Bayer GER	E	-0.15	-11.85
BHP Billiton UK	E	0.33	44.15	8	Wells Fargo US	E	-0.14	-6.76
Amplifon ITA	E	0.30	18.66	9	Lowe's US	E	-0.13	-3.96
Old Mutual UK	B	0.26	12.55	10	UST 2.5% 2046	B	-0.07	-1.64
AA UK	E	0.26	6.41	11	UKTI 0.125% 2046	B	-0.04	-0.37
Royal D. Shell UK	E	0.26	24.23	12	JP Morgan US	E	-0.02	-1.73
Yamana CAN	E	0.24	35.03	13	BMW GER	E	-0.02	-5.71
Pacwest US	E	0.23	17.78	14	Nestle SUI	E	-0.01	-3.11
Visa US	E	0.20	8.33	15	Wolseley[3] UK	E	-0.01	9.96
Unilever UK	E	0.20	16.08	16	Syngenta SUI	E	0.00	-0.28
Rabobank NED	B	0.20	7.29	17	Globus Medical US	E	0.00	-5.42
United Utilities UK	E	0.20	9.76	18	Alphabet US	E	0.00	0.18
National Grid UK	E	0.19	11.46	19	RBS UK	B	0.00	0.09
Investec UK	B	0.18	7.26	20	Facebook US	E	0.00	0.75
Total		7.30					-2.77	

Source: StatPro, Tellsons

[1] contribution to portfolio return in local currency, weighted;

[2] total return is the sum of price return and income, in local currency, un-weighted;

[3] as the total return is un-weighted, it can diverge by sign (negative/positive) from the contribution: this is due to the adding and trimming of the position in the portfolio throughout the period.

Investment Manager's Report (continued)

Outlook

The third quarter earnings season is getting into its stride as we write and should produce further indications for the direction of interest rates, most importantly in the US. Either way, a re-pricing of financial assets might be necessary to recalibrate growth, inflation and policy expectations just as we see a new presidency in the US. This may herald a new world order where less can be expected from quantitative easing (QE) and more from the politicians themselves of a structural nature, directly to re-energise the demand side of the economy. This seems somewhat ironic to us as we always believed that it was the artificially low interest rates of QE which have kept the animal spirits, or confidence, of the demand side at bay these long years. It is possible at some point central banks may consider actually selling some of their stockpiles of government debt in further attempts to manipulate the rates of interest normally set by the markets. After all the buybacks of company stocks have been made, corporate balance sheets have been refinanced, banks recapitalised, housing sectors healed at least in the US and substantially in the UK, if to a lesser extent in Europe and Asia. It might be clumsy but it could go some way towards the elusive exit from the QE policy trap the markets have been searching for.

As for the Fund, the running yield from our investments remains attractive to us without needing to stretch too far and the consensus earnings estimates for our equity investments are higher than the market on average but priced at or near to the market's multiple.

Investment Manager
Tellsons Investors LLP
19 October 2016

Significant Information

From 1 April 2016, all expenses will be allocated to capital in respect of income shares issued by FP Tellsons Endeavour Fund.

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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