

## Performance Commentary

The Fund was up 9.6% in June, taking year to date returns to 23% (vs 12% for the MSCI World).

Global markets have been dominated by volatility triggered by Brexit. While most markets rebounded fairly quickly, weakness in the pound has been more sustained; down 9% against the dollar, the euro and the Norwegian krone, 17% against the Yen and 11% against the Swiss franc. This has significantly boosted returns of overseas assets relative to domestic assets when measured in the same currency. All returns quoted below are in sterling.

Concerns over the domestic economy hurt UK consumer stocks across the board. In our portfolio, Games Workshop was down 10%. However, not holding UK housebuilders and financials in UK and Europe meant that we avoided the hardest hit “risk on” assets. Our two European insurers, though, were both down over the month: Munich Reinsurance (3% holding) was down 2% and Delta Lloyd (a 2.5% position) was down 24%. Despite the short term share price volatility, we remain confident that Delta Lloyd are more than adequately capitalised after the rights issue and that it offers exceptional value, trading at more than a 60% discount to book value. Against this backdrop, markets favoured “risk-off” assets. Our gold miners continued 2016’s stellar performance (Newmont and Yamana both up c. 33%), oil majors responded positively (Statoil, Exxon Mobil, BP and Royal Dutch Shell up 20% on average), and our two Japanese healthcare holdings were up over 20% (Taisho Pharmaceutical and Fukuda Denshi).

## Investment Philosophy

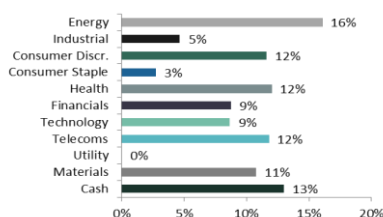
Kennox was established to focus exclusively on running the Strategic Value Fund, our value-driven global equities portfolio, for a limited number of risk-conscious investors who identify with our long term approach.

Our aim is to deliver good long term capital growth. We are not benchmarked and are not influenced by short term relative returns.

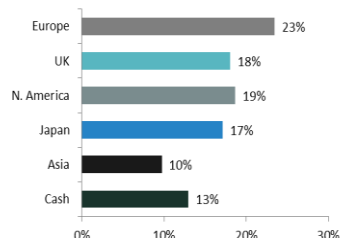
We look to uncover stocks that are significantly undervalued despite sound underlying business franchises and with asymmetric risk profiles – significant upside potential with limited downside risk – and hold these for the long term.

## Fund Positioning

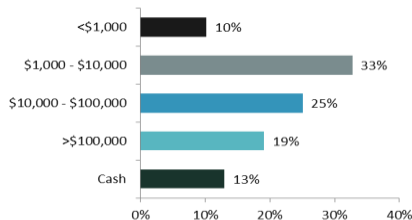
### Sector



### Region



### Market Cap (\$m)



## Top 10 Holdings

## % Fund

NEWMONT MINING	7.8%
TAISHO	4.9%
EXXON	4.4%
STATOIL	4.1%
NEOPOST	4.0%
CANON MARKETING	3.9%
BP	3.9%
ROYAL DUTCH SHELL	3.8%
GLAXOSMITHKLINE	3.6%
WESTERN UNION	3.5%
<b>Total Top Ten</b>	<b>43.7%</b>
19 other holdings	43.3%
Cash	13.0%
<b>Total</b>	<b>100.0%</b>

## Performance

Inception (9/7/2007)	114%
UK Launch (30/4/2009)	98%
5 Years	39%
4 Years	40%
3 Years	21%
2 Years	12%
1 Year	16%
YTD	23%
3 Month	12%
1 Month	9.6%

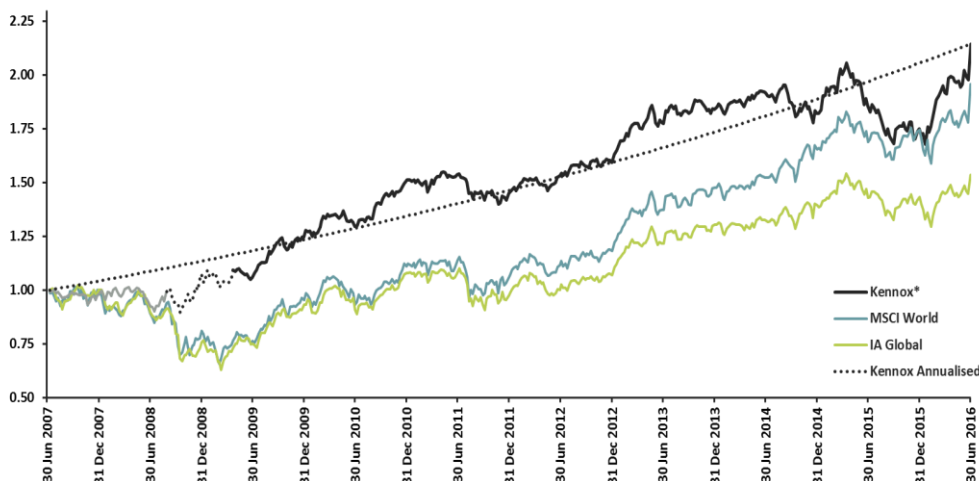
## Annualised

Inception (9/7/2007)	8.9%
UK Launch (30/4/2009)	10%

## Portfolio Diversification

Our portfolio is concentrated, currently 29 stocks. We believe that excessive diversification is a poor surrogate for real knowledge of holdings. We consider the key to building a robust portfolio is to ensure that underlying profit drivers are not correlated, but truly diversified. In order to be added to the portfolio, a stock must complement existing holdings and not merely add to a concentration of risk.

## Relative Performance



We focus on long-term, absolute performance, not on short-term relative returns.

We are not benchmarked.

Comparisons to the MSCI World and IA Global indices are for illustrative purposes only.

We would expect that Fund weightings (geographic, sector and market cap) may vary considerably from those of the MSCI and IA indices.

Active Share<sup>‡</sup> of the Fund is 97%

Since Inception	Annualised Return	Sharpe Ratio Annualised <sup>+</sup>	Best Month	Worst Month	Volatility <sup>+</sup>
Kennox*	8.9%	3.44	14%	-6.5%	11%
MSCI World	7.7%	2.60	9.0%	-11%	17%
IA Global Sector	4.9%	1.73	9.0%	-13%	15%

Discrete annual	YTD 2016	2015	2014	2013	2012	2011	2010	2009	2008	2007 (9/7/2007)
Kennox*	23%	-4.0%	-1.1%	15%	10%	-4.0%	21%	16%	9.8%	-2.1%
MSCI World	12%	5.4%	12%	25%	11%	-4.5%	16%	18%	-19%	-0.4%
IA Global Sector	7.2%	2.8%	7.0%	22%	9.6%	-9.4%	16%	23%	-24%	-0.1%

## Track Record Description &amp; Methodology

\* The portfolio was launched in July 2007 ("Inception") in Australia as the Contrarian Global Value Fund. The Kennox investment team ran that fund from launch until September 2008. The Kennox Strategic Value Fund was launched in April 2009, comprising 19 of the 20 positions that existed in the Australia fund. We have assumed a static portfolio for the interim period.

Performance shown reflects total return of the Institutional Share class. Performance figures are generated from the accumulation shares since their launch on 29 April 2013. Prior to that performance figures are taken from an alternative share class, adjusted to reflect a 1.0% management fee throughout.

<sup>+</sup> Sharpe Ratio is calculated as annualised return divided by the standard deviation of the excess return over the Libor 3m Bond yield.

<sup>+</sup> Volatility is calculated as the standard deviation of the natural log returns multiplied by the square root of the periodicity of the returns.

<sup>‡</sup> Active Share is calculated by taking the sum of the absolute value of the differences of the weight of each holding in the portfolio versus the weight of each holding in the benchmark index and dividing by two.

## Investment Team

## Charles L. Heenan (CFA), &amp; Geoff Legg

Charles and Geoff have worked together as an investment team since the inception of the portfolio in July 2007. Both focus exclusively on the management of the Fund. They are fully aligned with investors, each having 100% of his investment in equities in the Fund. Prior to Kennox, Geoff was an actuary with Towers Perrin and Charles had spent 7 years on the First State Investment Asia Pac (ex-Japan)/GEM team.

Together, Charles and Geoff have been recognised as FE Alpha Managers: [www.kennox.co.uk/fealpha](http://www.kennox.co.uk/fealpha)

3 Share Classes (Income & Accumulation)	Investment Management Fee	Minimum Initial Investment	GBP (Pence)	OCF	SEDOL	ISIN
Professional Income	1.3%	£20,000	117.0	1.43%	B2R8FY9	GB00B2R8FY91
Professional Accumulation	1.3%	£20,000	124.0	1.43%	B9DH0K0	GB00B9DH0K00
Institutional Income	1.0%	£2m	118.3	1.13%	B3YDJ20	GB00B3YDJ200
Institutional Accumulation	1.0%	£2m	126.7	1.13%	B8Y8GR4	GB00B8Y8GR43
Class A Income	0.80%	£20m	118.3	0.93%	B9D9Z90	GB00B9D9Z904
Class A Accumulation	0.80%	£20m	127.4	0.93%	B9B3CY8	GB00B9B3CY80

## Fund Details

<b>Fund Managers</b>	Charles L. Heenan, Geoff Legg
<b>Investment Universe</b>	Listed securities on any globally recognised stock exchange, bonds and cash
<b>Target Asset Allocation</b>	80-100% equities; 0-20% cash
<b>Fund Status</b>	UK OEIC; UCITS
<b>IA Sector</b>	Global Equity
<b>Benchmark</b>	The Fund is not benchmarked
<b>Inception Date</b>	July 2007; UK Fund launched in April 2009
<b>Fund Size</b>	£189 Million
<b>IS Able Fund</b>	Yes
<b>Pricing</b>	Daily at 1200
<b>Dilution Adjustment</b>	A dilution adjustment may apply on orders greater than 5% of AUM
<b>Performance Tracking</b>	See performance section of our website: <a href="http://www.kennox.co.uk/performance">www.kennox.co.uk/performance</a>
<b>Income Share</b>	Income distributed semi-annually
<b>Ex-Dividend Dates</b>	Y/E: 1 October Interim: 1 April
<b>Distribution Payment Dates</b>	Y/E: 31 January Interim: 31 May
<b>Gross Dividend Yield (net of fees)</b>	Professional: 1.8% Institutional: 2.0% Class A: 2.2%
<b>Registrar</b>	Smith & Williamson Fund Administration Limited
<b>Depository; Custodian</b>	National Westminster Bank Plc; Bank of New York Mellon
<b>Auditor; Legal Advisor</b>	KPMG; Macfarlanes

## To deal in the Fund

**All dealing is through our Transfer Agency:**

Smith & Williamson Fund Administration Limited  
 Tel: 0141 222 1150  
 Fax: 0207 131 8261  
[SWFAdealing@smith.williamson.co.uk](mailto:SWFAdealing@smith.williamson.co.uk)  
 206 St Vincent Street, Glasgow G2 5SG

Application forms, the Fund prospectus and KIIDs are available on our website:

[www.kennox.co.uk/investing-fund](http://www.kennox.co.uk/investing-fund)

## To contact Kennox

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The Kennox Strategic Value Fund ("Fund") should be considered a long-term investment. You should be aware that the Fund is permitted to invest in markets which are not as well developed or regulated as the UK. As such, investments in those markets may be less liquid, and may have less reliable custody arrangements. Therefore, they may be prone to above average volatility and carry more risk. Where investments are made in smaller companies, these companies' shares may be less liquid than larger companies and the price swings may therefore be greater. You should remember that the value of investments and the income derived therefrom may fall as well as rise and you may not get back the amount that you invest. Past performance is not a guide to future returns.

The Fund is denominated in £ sterling. You should be aware that if sterling appreciates or depreciates against the currencies in which investments are made, this could have an effect on the value of your investment. An investment in the Fund carries a degree of risk and retail investors should seek professional advice before investing in the Fund. Kennox has not taken any steps to ensure that the securities referred to in this document are suitable for any particular investor and no assurance can be given that the stated investment objectives will be achieved.