

## Performance Commentary

In October, the Fund was up 5.7% bringing year-to-date returns to just over 38%. The Fund benefitted from further weakness in the pound which fell briefly below \$1.20 on the 7<sup>th</sup> October before remaining reasonably stable at around \$1.22. Global markets (measured in sterling terms) also benefitted from this weakening, and rose 4.0% during the month (25% YTD).

NN Group (one of the largest life and non-life insurance companies in the Netherlands) made an unsolicited bid to buy Delta Lloyd early in October. At €5.30 per share the offer was at a circa 30% premium to the prevailing share price. Whilst we retain that Delta Lloyd should be valued closer to book value (around €8.30 per share), the increase in the share price took our holding position from around 3.8% to nearly 5%, with the potential upside narrowing. For that reason, we sold about 40% of our position on the day of the offer.

Elsewhere, Neopost continued its recent strong performance. It was up a further 19% in October, and has now risen almost 60% since lows in April. Despite this, it still trades at exceptional valuations, at under 8x earnings with a covered 6% yield. At 4.7% it remains one of the largest holdings in the Fund.

M1's share price continues to face pressure (off 12%). You can read more on our views of that company in our September factsheet, but at current prices (around 12x stable long term earnings) we are very happy holders.

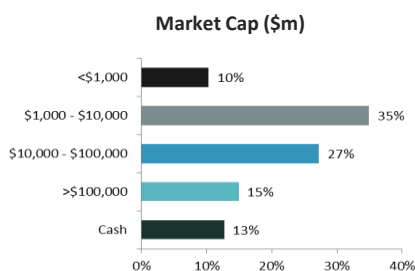
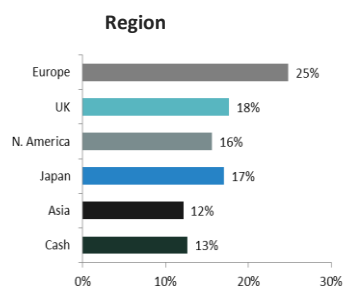
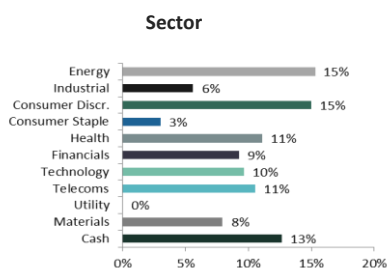
## Investment Philosophy

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



## Top 10 Holdings

Top 10 Holdings	% Fund
NEWMONT MINING	6.1%
NEOPOST	4.7%
TAISHO	4.1%
EXXON	4.0%
BP	3.9%
STATOIL	3.8%
WESTERN UNION	3.7%
CANON MARKETING	3.7%
FUKUDA DENSHI	3.7%
ROYAL DUTCH SHELL	3.6%
<b>Total Top Ten</b>	<b>41.3%</b>
20 other holdings	46.1%
Cash	12.7%
<b>Total</b>	<b>100.0%</b>

## Performance

Inception (9/7/2007)	141.9%
UK Launch (30/4/2009)	123.0%
5 Years	65.6%
4 Years	51.3%
3 Years	28.9%
2 Years	31.1%
1 Year	37.4%
YTD	38.4%
3 Month	7.7%
1 Month	5.7%

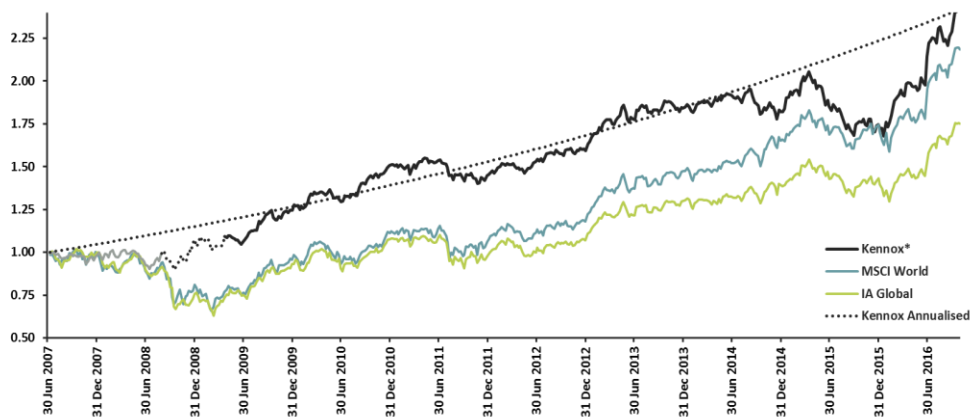
## Annualised

Inception (9/7/2007)	9.9%
UK Launch (30/4/2009)	11.3%

## Portfolio Diversification

Our portfolio is concentrated, currently 30 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*	9.9%	3.8	13.8%	-6.5%	11.2%
MSCI World	8.7%	3.0	9.0%	-10.7%	16.6%
IA Global Sector	6.2%	2.4	9.0%	-12.6%	15.1%

Discrete annual	YTD 2016	2015	2014	2013	2012	2011	2010	2009	2008	2007 (9/7/2007)
Kennox*	38.4%	-4.0%	-1.1%	15.5%	10.0%	-4.0%	21.1%	16.0%	9.8%	-2.1%
MSCI World	25.4%	5.4%	12.2%	24.9%	11.3%	-4.5%	16.4%	18.1%	-18.8%	-0.4%
IA Global Sector	22.3%	2.8%	7.0%	21.7%	9.6%	-9.4%	15.8%	23.0%	-24.3%	-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), & 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	130.1	1.43%	B2R8FY9	GB00B2R8FY91
Professional Accumulation	1.3%	£20,000	139.9	1.43%	B9DH0K0	GB00B9DH0K00
Institutional Income	1.0%	£2m	131.5	1.13%	B3YDJ20	GB00B3YDJ200
Institutional Accumulation	1.0%	£2m	143	1.13%	B8Y8GR4	GB00B8Y8GR43
Class A Income	0.80%	£20m	131.5	0.93%	B9D9Z90	GB00B9D9Z904
Class A Accumulation	0.80%	£20m	143.8	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>	£210 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: 1.5% Institutional: 1.8% Class A: 2.0%
<b>Registrar</b>	Smith & Williamson Fund Administration Limited
<b>Depositary; 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

Kennox Asset Management  
28 Drumsheugh Gardens  
Edinburgh, EH3 7RN

+44 (0)131 563 5440  
[enquiries@kennox.co.uk](mailto:enquiries@kennox.co.uk)  
[www.kennox.co.uk](http://www.kennox.co.uk)

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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.