

Performance Commentary

The Fund rose 1.2% in August, partly aided by sterling's weakness against most major currencies. The markets' strength this summer, especially in the US, was only briefly disturbed by tensions in North Korea and the flooding in Texas and Asia. For reference, the MSCI was up 2.5% in the month.

Leading the risers were the gold stocks, especially Yamana, with the price of gold strengthening above \$1300 per ounce. Whilst no one knows the direction in the short term, the long-term outlook for gold is very attractive, due to a coming contraction in supply as the sharp cuts in the industry's capex in the last few years and a 20-year long dearth of new exploration finds bite. Continued high levels of debt globally and QE only add to the appeal. We are happy with Newmont being the largest holding in the Fund. Other performers were Deutsche Post on the back of strong results, and China Mobile on an increased dividend.

Results from our newest holding, Sky in New Zealand, were weaker than the market liked, causing a decrease in the share price. At these levels, the company is exceptionally valued with strong, double-digit free cash flows and a very chunky dividend. This is a high-quality franchise, uniquely positioned in its market, and we have added to the position (first established in July). M6 Metropole's share price was also soft due to news of weakness in advertising for ProSiebenSat of Germany. Due to the price increase over the last few years, we have trimmed significantly and M6 is no longer in our top ten. We are still happy with our (smaller) holding because of its strong positioning, reliable management team and a long record of excellent cash generation.

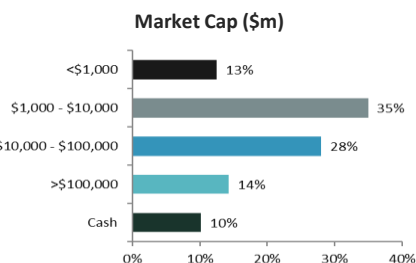
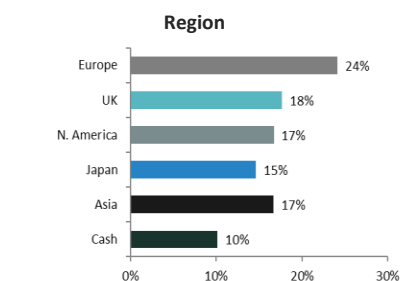
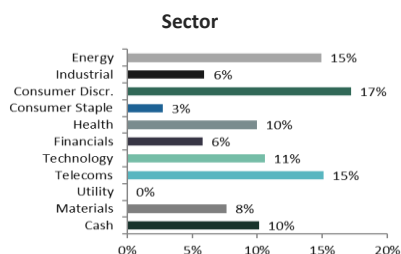
Investment Philosophy

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

Company	%Fund
NEWMONT MINING	6.3%
NEOPOST	6.0%
TEXWINCA	4.8%
FUKUDA DENSHI	4.0%
STATOIL	3.8%
ROYAL DUTCH SHELL	3.8%
M1	3.7%
BP	3.7%
MUNICH REINSURANCE	3.7%
CANON MARKETING	3.7%
<b>Total Top Ten</b>	<b>43.6%</b>
20 other holdings	46.2%
Cash	10.2%

**Total** 100.0%

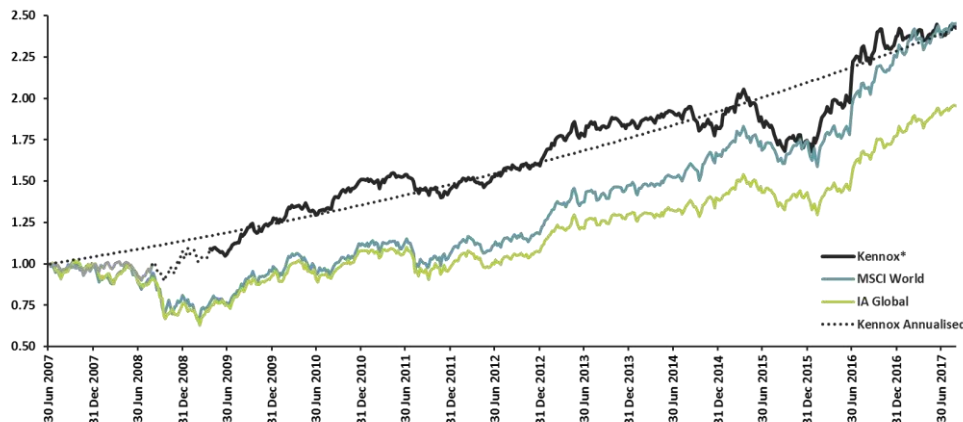
Performance

Inception (9/7/2007)	142.4%
UK Launch (30/4/2009)	123.4%
5 Years	53.4%
4 Years	33.2%
3 Years	25.0%
2 Years	39.0%
1 Year	8.6%
YTD	2.1%
3 Month	0.6%
1 Month	1.2%
<b>Annualised</b>	
Inception (9/7/2007)	9.1%
UK Launch (30/4/2009)	10.1%

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 98%

Since Inception	Annualised Return	Sharpe Ratio Annualised <sup>+</sup>	Best Month	Worst Month	Volatility <sup>+</sup>
Kennox*	9.1%	0.7	13.8%	-6.5%	11.0%
MSCI World	9.2%	0.5	9.0%	-10.7%	16.1%
IA Global Sector	6.8%	0.4	9.0%	-12.6%	14.7%

Discrete annual	YTD 2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007 (9/7/2007)
Kennox*	2.1%	35.8%	-4.0%	-1.1%	15.5%	10.0%	-4.0%	21.1%	16.0%	9.8%	-2.1%
MSCI World	9.1%	29.1%	5.4%	12.2%	24.9%	11.3%	-4.5%	16.4%	18.1%	-18.8%	-0.4%
IA Global Sector	10.2%	23.9%	2.8%	7.0%	21.7%	9.6%	-9.4%	15.8%	23.0%	-24.3%	-0.1%

Track Record Description & 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.

Sharpe Ratio is calculated as a Fund or Benchmark's excess return over Libor 3m Bonds (annualised) divided by the volatility of the Fund or Benchmark's returns

<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.

3 Share Classes (Income & Accumulation)	Investment Management Fee	Minimum Initial Investment	GBP (Pence)	OCF	SEDOL	ISIN
Professional Income	1.3%	£20,000	129.6	1.46%	B2R8FY9	GB00B2R8FY91
Professional Accumulation	1.3%	£20,000	139.8	1.46%	B9DH0K0	GB00B9DH0K00
Institutional Income	1.0%	£2m	131.1	1.16%	B3YDJ20	GB00B3YDJ200
Institutional Accumulation	1.0%	£2m	143.3	1.16%	B8Y8GR4	GB00B8Y8GR43
Class A Income	0.80%	£20m	131.2	0.96%	B9D9Z90	GB00B9D9Z904
Class A Accumulation	0.80%	£20m	144.4	0.96%	B9B3CY8	GB00B9B3CY80

## Fund Details To deal in the Fund

Fund Managers	Charles L. Heenan, Geoff Legg
Investment Universe	Listed securities on any globally recognised stock exchange, bonds and cash
Target Asset Allocation	80-100% equities; 0-20% cash
Fund Status	UK OEIC; UCITS
IA Sector	Global Equity
Benchmark	The Fund is not benchmarked
Inception Date	July 2007; UK Fund launched in April 2009
Fund Size	£218 Million
ISABLE Fund	Yes
Pricing	Daily at 1200
Preliminary Charge	5%; may be waived at the discretion of the ACD
Dilution Adjustment	A dilution adjustment may apply on orders greater than 5% of AUM
Performance Tracking	See performance section of our website: <a href="http://www.kennox.co.uk/performance">www.kennox.co.uk/performance</a>
Income Share	Income distributed semi-annually
Ex-Dividend Dates	Y/E: 1 October Interim: 1 April
Distribution Payment Dates	Y/E: 30 November Interim: 31 May
Dividend Yield (net of fees)	Professional: 1.7% Institutional: 2% Class A: 2.2%
Registrar	Smith & Williamson Fund Administration Limited
Depositary; Custodian	National Westminster Bank Plc; Bank of New York Mellon
Auditor	KPMG

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)

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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.