MORAY PLACE INVESTMENT COMPANY

REPORT AND FINANCIAL STATEMENTS
for the period from 2 May 2012 to 30 September 2012

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ABOUT YOUR COMPANY

Moray Place Investment Company (MPIC) was formed on 2 May 2012 as an open-ended investment company and commenced trading on 15 May 2012. It is regulated and authorised by the Financial Services Authority in the UK as a non-UCITS retail scheme. The company is intended to be a low cost, long-term investment vehicle for like-minded private individuals. It is straightforward and totally free of the conflicts of interest that bedevil the professional money management industry.

MPIC's objective is to preserve and grow (in that order) the purchasing power of its investors' capital. The investment manager believes that it is most meaningful to assess MPIC's progress over a full economic cycle, which is typically 5-10 years. Over this time frame, useful comparators include UK consumer price inflation, the yield on undated gilts, and equity indices.

MPIC expects to achieve its objective primarily through owning established companies listed on stock exchanges around the world. It will not "short" securities, will not invest in derivatives nor directly in property, and it will not borrow to invest.

The investment approach is uncomplicated, disciplined and patient. The investment manager also believes that it is conservative, if idiosyncratic. MPIC is not designed to appeal to a broad constituency. It is only suitable for investors who are capable of evaluating the merits and risks of such an approach: if you cannot, or it makes you uncomfortable, or it simply does not suit your psychology, you should not invest.

Size of company as at 30 September 2012	£15,609,946
Authorised Corporate Director (ACD)	Valu-Trac Investment Management Limited
Investment manager	Hollis Capital Limited
Minimum investment	Initial: £100,000 Subsequent: £10,000
Dealing spread	1%
Ongoing charges (annualised)	0.87% *Capped at 1.0% p.a. until 30 September 2014*
Performance fee	Not applicable
Initial charges	Not applicable
Redemption charges	5% for sales within 2 years of purchase; 2% for sales between 2 and 5 years of purchase
Ex-distribution date	30 September
Distribution date	30 November

FINANCIAL SUMMARY

Net asset value		**As at 30 September 2012**	
Value of company		£15,609,946	
Shares outstanding	Gross accumulation	9,936,182	
	Gross income	1,750,888	
	Net accumulation	1,097,149	
	Net income	2,239,352	
		Offer (p)	Bid (p)
NAV per share	Gross accumulation	104.6	103.5
	Gross income	104.6	103.5
	Net accumulation	104.6	103.5
	Net income	104.6	103.5

		Period from 15 May 2012 to 30 September 2012	
Share price range		Offer high (p)	Bid low (p)
	Gross accumulation	104.7	98.9
	Gross income	104.7	98.9
	Net accumulation	104.7	98.9
	Net income	104.7	98.9
Distribution per share		(p)	
	Gross accumulation	0	
	Gross income	0	
	Net accumulation	0	
	Net income	0	
Ongoing charges (annualised)		0.87%	
Portfolio turnover		0%	

Shares were issued at 100p each when the company commenced trading on 15 May 2012

Dear fellow shareholders

All enduring human endeavours and relationships appear to have a commitment to common goals and shared values. MPIC is designed to attract a group of co-investors who share my investment goals and values.

Investment objective and appropriate gauges of progress

One key to attracting and keeping like-minded co-investors is that we gauge progress by the same yardstick. Moreover, that yardstick needs to be stated at the start of the relationship.

The essence of investment is to defer consumption today so that one may consume more in future. Hence, MPIC's objective is to preserve and grow (in that order) the purchasing power of its investors' capital. In deferring consumption today one might wish, for instance, to buy more groceries, property or education in future. All would represent valid standards by which to assess progress. However, for ease, I will compare MPIC's results against three benchmarks.

1. *The UK Consumer Price Index*
   Spending power is most commonly evaluated with respect to consumer goods. One basic hurdle for MPIC is thus to grow faster than UK consumer goods inflation.

2. *The yield on UK irredeemable gilts*
   Consumer goods are only a part of personal expenditure. Perhaps the most comprehensive gauge of purchasing power is the yield on UK irredeemable gilts. This yield can be interpreted as the market's best guess of the nominal return required at least to sustain the purchasing power of pound sterling in the future.

3. *The UK FTSE All-Share Index*
   MPIC is not an equity fund, but it does expect primarily to use quoted equities as the means of achieving its objective. An equity index is thus an informative comparator, as well as a test of whether MPIC is preserving its investors' purchasing power in one specific form of assets: publicly quoted companies.

Note, first, the comparators are UK-oriented. This seems appropriate as MPIC's owners are British with predominantly pound sterling commitments and liabilities. Second, I do not believe that a single year is an informative time frame over which to assess progress. I believe that the most appropriate period is an economic cycle, not the time it takes the earth to orbit the sun. Thus, I will compare MPIC's returns against its three comparators over a full economic cycle. The economic cycle varies in length, but for simplicity I will define it as a minimum of five years and maximum of ten, and comment on both periods.

My guiding principles

Another way of assessing whether there is a community of interest with my investment values is to compare your investing beliefs, or principles, with mine. These are mine:

- *I will treat an investment in MPIC as I would treat my own*
  I have, and will maintain, most of my personal wealth in MPIC.

- *Costs matter*
  While the investment results of MPIC will be volatile and inherently uncertain, I am certain of one thing: costs erode long-term returns. Therefore, MPIC aspires to be one of the lowest cost investment companies available to private investors.

- *Long-term thinking*
  I will invest so as to be untroubled if markets were to close for five years. Expect turnover of investments within MPIC to average less than 10% each year.

- *Independent thinking*
  My investment philosophy is to be conservative, but not conventional. I will shun excessively popular, fashionable investments. I believe that an important paradox in investment is that the more popular an idea becomes, the less profitable it is likely to be.

- *Long-term optimism on man's instincts to trade, barter and exchange goods and ideas*
  I believe that this is the true source of durable prosperity and wealth. Rising living standards are largely derived from accumulated knowledge and new ideas, which is only constrained by human ingenuity and imagination.

- *Long-term pessimism on the value of government promises*
  The logic of politicians is to trade short-term, obvious benefits for long-term, less obvious costs, which undermines the worth of government-backed promises, such as paper money and bonds. This process is commonly called inflation. I believe that inflation is at source a political phenomenon. It has been one of the tragedies of modern financial academic work to label government bonds "risk-free".

- *The role of quoted equity investments*
  I believe that the long-term ownership of exceptional businesses run by honest people is the best means of allowing the investor to participate in the general tendency for global living standards to rise, while simultaneously protecting his capital from inflation. Quoted equity securities allow the investor to part-own a variety of high quality businesses around the world, at remarkably low cost. Consequently, it is likely that investments in quoted equities will dominate the portfolio.

- *Risk and uncertainty cannot be avoided*
  Business and investing are complex, unpredictable and fraught with uncertainty. I do not believe that government bonds are risk-free; I do not believe that investment risk can be quantified; and I do not believe in smooth progress. MPIC is designed to cope with investment risk and uncertainty, not to eliminate it.

- *Progress will be lumpy*
  Quoted equities represent claims on corporate cash flows, yet their market prices have proved far more volatile than their underlying business values. Historically, publicly listed businesses have suffered widespread, general falls in market prices in approximately one calendar year in three. Indeed, dramatic declines of over 30% have occurred at some point in most decades. I do not believe that MPIC can avoid such characteristic downturns in business and stockmarket cycles, but it will seek to survive them without undue distress.

- *I will discourage investors who cannot commit funds for at least five years*

From these principles it may be seen why I expect MPIC to achieve its objective of preserving and growing the purchasing power of its investors' capital primarily through the long-term ownership of businesses. Publicly quoted equities are the means through which MPIC owns businesses. However, for the most part, I regard stockmarkets as a giant distraction from the task of long-term stewardship of capital. My attention is focused on identifying, analysing and following relatively few businesses that are profitable, durable, take care of their customers, and are run by people who treat outside shareholders as partners. Once these rare businesses are identified, I will try to buy them at a reasonable price, and own them for many years.

Such businesses are compounding machines: they can create and continue to increase value for owners for an unusually long time. I expect to own these businesses for many years, if not decades. It is therefore inevitable that their business trading environment, as well as the stockmarket sentiment towards their quoted prices, will ebb and flow many times during MPIC's ownership. I am not good at predicting whether the tide will ebb or flow, and thus will commit relatively little effort to thinking about it; I simply hope to back strong swimmers.

The evidence in favour of owning the same businesses for years appears compelling: very few professional investors who trade actively outperform a simple buy and hold strategy, and this fraction declines as the measurement period increases. Yet, while a buy and hold strategy is good, I believe that a strategy of buying and holding a careful selection of superior companies is even better.

The current portfolio

I believe that MPIC owns many durable compounding machines. Moreover, they are typically run by the sort of people that I might wish to back as a sleeping partner in an illiquid private venture. Markel, Investor, Fairfax and Loews are exemplars: led by honest, low profile, frugal owner-managers. In each case, they treat outside, passive investors like partners.

Yet, one may ask, if MPIC does own durable compounding machines stewarded by such fine people, why are those attractions not reflected in their share prices? No one makes a living backing favourites at horse races. Typically, share prices only get really cheap compared to business value because of fear, panic, disgust or apathy. Although MPIC does not appear to own many businesses subject to fear, panic or disgust, I suspect that it does own many exposed to the fourth factor: apathy. For instance, Markel, Investor, Fairfax and Loews are so unfashionable, operate in such mundane activities and have so little sell-side sponsorship, that many investors are simply uninterested. So be it: excitement and popularity should not be confused with a good investment.

The current portfolio is split into four broad categories, each comprising 20-30% of MPIC.

1. One idiosyncrasy of MPIC is its large investment in property and casualty (P&C) insurers. Insurance underwriting is a tough way to make money, with its own unpredictable business cycle, and lots of competition. However, P&C companies also make money from investing their shareholders' capital as well as their policyholders' premiums, which they receive in advance of paying out claims. A well-run P&C company can thus be viewed as a diversified investment portfolio geared by non-callable policyholders' funds, or float. Markel, Fairfax, RLI and Alleghany epitomise this investment-oriented philosophy. Despite a poor underwriting market for much of the past decade, the book values of all these insurers have compounded far in excess of the

average company. Crucially, most investors appear uninterested: P&C share prices appear extremely low compared to book values.

2. The second notable feature is a variety of holding and investment companies trading at an average discount to their underlying asset value of about 35%. These investments appear to offer a number of attractive features. First, investment expertise comes at low cost. Second, the yield on their underlying investments is enhanced. Thus, if we buy at a 35% discount an underlying portfolio which yields, say, 3%, the effective yield to MPIC is 4.6%. Third, we have a free option that the discount may narrow; if it widens, we can simply buy more of the assets even more cheaply. Finally, most of the holding companies have large stakes and Board representation in their investee companies, and are thus able to influence and discipline management in their capital allocation decisions. This mitigates one of the major disadvantages of being an outside, passive, minority owner of businesses: managers' ill-discipline in spending other people's money. Investor AB is the heart of the Wallenberg family sphere in Sweden, and seems a prime example of all four features.

3. More conventionally, MPIC owns a collection of operating companies that I believe are subject to relatively low operating and investment risk. Typically, these companies are leaders in rather mundane activities, with moderate sales growth, and satisfy a low-cost, recurring need of loyal customers. Investment risk appears lower than that of most companies: operating leverage is lower than average; financial leverage is low; management spend relatively little on acquisitions; and valuations are not stretched by popularity and glamour status. However, that is a contention that is not easily corroborated. While returns achieved can be quantified, the risk avoided cannot. My suggestion is that one reasonable, objective measure of investing conservatism is evaluating results in down markets.

4. Finally, 30% of MPIC is currently held in various forms of liquidity. This is a poor investment that is gradually being eroded by inflation. However, liquidity does offer a valuable option: in future one may be able to buy superior assets at better prices. Cash is effectively an option on all assets, with no expiration date and no strike price. I make no predictions about when or how this option is used; but I will try to be prepared. If one avoids debt, falling asset prices are not to be feared but welcomed as an opportunity to buy more value.

Long-term optimism

I do not share the Fed's resolute faith in monetary central planning and currency debasement. However, ultimately I believe that my pessimism about the global experiment in financial repression and dishonest money will be less significant than my optimism over two more powerful and enduring social phenomena.

- First, the wonder of uninhibited human action: man's entrepreneurial spirit, and his ability to think, adapt and satisfy needs, which improve living standards over time.

- Second, the chronic, if infrequent, tendency of markets to misprice great businesses. With liquidity and the correct attitude, one can avoid participating in crowd folly, and occasionally even profit from it. I know of no better enunciation of a helpful attitude to fluctuating share prices than chapter eight of *The Intelligent Investor*, in which Benjamin Graham introduced his classic Mr Market metaphor.

The Golden Rule

My governing principle in managing MPIC is to abide by the Golden Rule: to treat others as I would wish to be treated myself.

I have and will maintain the majority of my own money invested alongside yours in MPIC. While this does not ensure a satisfactory outcome, it does ensure that MPIC will be receiving my full attention and that I will treat your investment as if it were my own.

Thank you for your support and trust; I greatly appreciate it. Please let me know if you have any questions or comments.

Peter Hollis

PORTFOLIO AS AT 30 SEPTEMBER 2012

Security	Country	Holding	Value (£)	%
Markel	US	5,300	1,487,244	9.5%
Investor B	Sweden	60,000	819,011	5.2%
Fairfax Financial	Canada	3,100	736,732	4.7%
Handelsbanken	Sweden	30,000	696,612	4.5%
Loews	US	22,000	561,410	3.6%
Nestle	Switzerland	11,000	430,092	2.8%
Moodys	US	15,000	411,294	2.6%
Atlas Copco B	Sweden	30,000	389,129	2.5%
Sofina	Belgium	7,488	381,080	2.4%
GBL	Belgium	8,000	368,809	2.4%
Philip Morris	US	6,000	334,450	2.1%
Hansa Trust A Non-Voting	UK	45,000	321,750	2.1%
Rights & Issues Capital	UK	10,000	274,000	1.8%
Washington Post B	US	1,200	268,617	1.7%
RLI Corp	US	6,000	247,911	1.6%
Progressive Corp	US	17,000	218,938	1.4%
Tesco	UK	60,000	199,350	1.3%
Spirax-Sarco	UK	9,000	187,695	1.2%
Pepsico	US	4,000	174,788	1.1%
bioMerieux	France	3,000	172,378	1.1%
Jardine Strategic	Singapore	8,000	168,747	1.1%
Alleghany Corp	US	700	150,578	1.0%
Greggs	UK	30,000	150,105	1.0%
Coca-Cola	US	6,000	141,241	0.9%
HAL Trust	Netherlands	2,000	140,502	0.9%
BATS	UK	4,000	126,820	0.8%
Becton Dickinson	US	2,500	121,197	0.8%
Coca-Cola Hellenic	Greece	10,000	117,324	0.8%
CF-Alba	Spain	5,000	117,025	0.7%
Colruyt	Belgium	4,000	107,877	0.7%
Patterson Companies	US	5,000	106,010	0.7%
Bank of Ireland	Ireland	1,300,000	100,956	0.6%
Sigma-Aldrich	US	2,000	89,106	0.6%
Techne	US	2,000	88,951	0.6%
Carmax	US	5,000	87,295	0.6%
Northern Trust	US	3,000	85,831	0.5%
N.Brown	UK	30,000	82,485	0.5%
Sysco	US	3,000	57,950	0.4%
Brown & Brown	US	3,000	48,349	0.3%
Total Equities			***10,769,639***	***69.1%***

PORTFOLIO AS AT 30 SEPTEMBER 2012

Security	Country	Holding	Value (£)	%
UK 2.5% Index-linked Gilt 2016	UK	200,000	686,670	4.4%
UK 1.25% Index-linked Gilt 2017	UK	300,000	432,381	2.8%
US 0.125% TIPS 2016	US	1,500,000	1,024,185	6.6%
US 0.625% TIPS 2013	US	1,000,000	681,187	4.3%
Sweden 0.5% Index Linked Treasury 2017	Sweden	6,000,000	610,268	3.9%
Total Bonds			***3,434,691***	***22.0%***
Total Cash and equivalents			***1,430,660***	***9.1%***
Adjustment to revalue assets from Mid to Bid			***-25,044***	***-0.2%***
Total Portfolio			**15,609,946**	**100%**

AUTHORISED CORPORATE DIRECTOR'S RESPONSIBILITIES

The rules of the Financial Services Authority's Collective Investment Schemes Sourcebook require the Authorised Corporate Director to prepare financial statements for each annual accounting period which give a true and fair view of the financial affairs of the Company and of its revenue or expense for the period. In preparing these financial statements the Authorised Corporate Director is required to:

- comply with the Prospectus and applicable accounting standards, subject to any material departures which are required to be disclosed and explained in the financial statements
- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in operation for the foreseeable future

The Authorised Corporate Director is required to keep proper accounting records and to manage the Company in accordance with the regulations and the Prospectus. The ACD is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Anne A. Laing   Martin J. Henderson

Valu-Trac Investment Management Limited
Authorised Corporate Director

December 11th 2012

DEPOSITARY'S RESPONSIBILITIES AND REPORT

The depositary is responsible for the safekeeping of all of the property of the Company (other than tangible moveable property) which is entrusted to it and for the collection of revenue that arises from that property.

It is the duty of the depositary to take reasonable care to ensure that the Company is managed in accordance with the Financial Services Authority's Collective Investment Scheme Sourcebook (COLL), as amended, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended ('the OEIC Regulations'), the Company's Instrument of Incorporation and Prospectus, in relation to the pricing of, and dealings in, shares in the Company, the application of revenue of the Company, and the investment and borrowing powers applicable to the Company.

Report of the Depositary

Having carried out such procedures as we consider necessary to discharge our responsibilities as depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the Authorised Corporate Director:

- has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's revenue in accordance with COLL and, where applicable, the OEIC Regulations, the instrument of incorporation and prospectus of the Company, and
- has observed the investment and borrowing powers and restrictions applicable to the Company.

National Westminster Bank Plc
1 October 2012

We have audited the Company's financial statements for the period ended 30 September 2012 which comprise the Statement of Total Return, Statement of Changes in Net Assets Attributable to Shareholders, Balance Sheet and the related Notes to the Financial Statements. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's shareholders, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the Financial Services Authority. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the ACD and Auditor

As explained more fully in the Statement of the ACD's Responsibilities set out on page 10, the ACD is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the ACD; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial position of the Company as at 30 September 2012 and of the net expense and the net capital gains on the property of the Company for the period then ended;
- the financial statements have been properly prepared in accordance with the IMA Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Services Authority and the Instrument of Incorporation;
- the report of the ACD is consistent with the financial statements;
- there is nothing to indicate that proper accounting records have not been kept or that the financial statements are not in agreement with those records; and
- we have received all the information and explanations which, to the best of our knowledge and belief, we require for our audit.

Johnston Carmichael LLP
Chartered Accountants
Statutory Auditor
Elgin

December 11th 2012

Statement of Total Return

For the period ended 30 September	Notes		2012
		£	£
Income			
Net capital gains	2		491,294
Revenue	3	48,079	
Expenses	4	(50,690)	
Finance costs: interest		-	
Net expense before taxation		(2,611)	
Taxation	5	(4,262)	
Net expense after taxation			(6,873)
Total return before distributions			484,421
Finance costs: distributions			-
Change in net assets attributable to shareholders from investment activities			484,421

Statement of Changes in Net Assets Attributable to Shareholders

For the period ended 30 September	2012
	£
Opening net assets attributable to shareholders	-
Amounts receivable on creation of shares	15,125,525
Change in net assets attributable to shareholders from investment activities (see above)	484,421
Closing net assets attributable to shareholders	15,609,946

There are no corresponding figures for the previous year as this is the first period of trading

Balance Sheet

As at 30 September			**2012**
	Notes	**£**	**£**
ASSETS			
Investment assets			14,179,286
Debtors	6	17,750	
Cash and bank balances	7	1,505,004	
Total other assets			1,522,754
Total assets			15,702,040
LIABILITIES			
Creditors	8	(92,094)	
Total liabilities			(92,094)
Net assets attributable to shareholders			15,609,946

There are no corresponding figures for the previous year as this is the first period of trading

For the period from 2 May 2012 to 30 September 2012

1 Accounting policies

(a) The financial statements have been prepared in accordance with the Statement of Recommended Practice for Authorised Funds (SORP) issued by the Investment Management Association (IMA) in October 2010.

(b) Dividends on equities are recognised when the security is quoted ex-dividend. Bond interest is accrued daily into the fund. Interest on deposits is accounted for on an accruals basis. Other revenue is accounted for on a receipts basis. Accumulation of revenue, relating to accumulation units or shares held in underlying funds, is not included in the amount available for distribution.

Equalisation received by the way of distributions from OEICs/unit trust investment is not included in revenue but is reflected as a reduction in the book cost of that investment.

(c) The ordinary element of stocks received in lieu of cash dividends is recognised as revenue of the Company, and where applicable is included in the distribution. In the case of an enhanced stock dividend the value of the enhancement is treated as capital.

(d) Special dividends are treated as repayments of capital or revenue depending on the facts of each particular case.

(e) All expenses are accounted for on an accruals basis and other than those relating to the buying and selling of investments, all expenses are charged to the revenue of the Company.

(f) Where the revenue from investments exceeds the expenses of the Company, annual distributions are paid to all holders of income shares. In all cases, tax vouchers will be issued to shareholders.

(g) The Company is not more than 60% invested in qualifying investments (as defined by S468L ICTA 1988) and where applicable will pay a dividend distribution.

(h) The listed investments of the Company have been valued at bid market prices at 4.30pm UK time on 30 September 2012. Suspended securities are valued initially at the suspended price but are subject to constant review.

(i) All transactions in foreign currencies are converted into sterling at the rates of exchange ruling at the date of such transactions. Foreign currency assets and liabilities at the end of the accounting period are translated at the exchange rates at the closing valuation point on 30 September 2012.

(j) Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay less or receive more tax.

Deferred tax assets are recognised only to the extent that the ACD considers that it is more likely than not there will be taxable profits from which underlying timing differences can be deducted.

(k) In certain circumstances the ACD may charge a dilution levy on the sale or repurchase of shares. The levy, which is paid into the Company, is intended to cover certain charges not included in the bid market value of the Company, used in calculating the share price, which could have a diluting effect on the performance of the Company.

(l) Stamp duty reserve tax (SDRT), where payable, is deducted as an expense from the capital of the Company.

NOTES TO THE FINANCIAL STATEMENTS

2	**Net capital gains**	**2012**
		£
	The net capital gains comprise:	
	Currency losses	(126)
	Non-derivative securities gains	492,315
	Transaction charges	(895)
	Total net capital gains	491,294

3	**Revenue**	**2012**
		£
	UK dividends	8,450
	Overseas dividends	29,771
	UK bond income	6,784
	Overseas bond income	3,074
	Total revenue	48,079

4	**Expenses**	**2012**
		£
	Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director, and agents of either of them:	
	ACD fee	31,618
	Payable to the depositary, associates of the depositary, and agents of either of them:	
	Depositary fee	13,371
	Safe custody fee	209
		13,580
	Other expenses:	
	Audit fee	5,400
	FSA fee	92
		5,492
	Total expenses	50,690

5	**Taxation**	**2012**
		£
(a)	**Analysis of charge in the year**	
	Irrecoverable income tax	4,262
	Total current tax charge for the year (note 5b)	4,262

(b) Factors affecting current tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an open-ended investment company (20%). The differences are explained below:

Net revenue loss before taxation	(6,872)
Corporation tax	0

(c) Provision for deferred taxation

At 30 September 2012 there is a potential deferred tax asset of £8,166 in relation to surplus management expenses. It is unlikely the Company will generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised.

6	**Debtors**	**2012**
		£
	Accrued revenue	16,613
	Other debtors	1,017
	Prepayments	120
	Total debtors	17,750

7	**Cash and bank balances**	**2012**
		£
	Cash and bank balances	1,505,004

8	**Creditors**	**2012**
		£
	Accrued expenses	38,913
	Unsettled trades	53,181
	Total creditors	92,094

9 Related party transactions

Valu-Trac Investment Management Limited was appointed as Authorised Corporate Director and Hollis Capital Limited was appointed as Investment Manager during the period.

Authorised Corporate Director's fees and Investment Manager's fees were payable to the following related parties during the period:

Hollis Capital Limited	£27,810
Valu-Trac Investment Management Limited	£3,808

The balances due to these related parties at 30 September 2012 were as follows:

Hollis Capital Limited	£19,943
Valu-Trac Investment Management Limited	£2,521

During the period 9,380,632 shares were issued to Hollis Capital Limited and connected parties. As at 30 September 2012 Hollis Capital Limited and connected parties held 9,380,632 shares in the Company.

10 Financial instruments

In pursuing its investment objective as stated on page 3, the Company holds a number of financial instruments. The Company's financial instruments comprise securities and other investments, cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for issues and payable for redemptions and debtors for accrued revenue.

The main risks arising from the Company's financial instruments, those of its underlying holdings and the ACD's policies for managing these risks are summarised below. These policies have been applied throughout the year.

Market price risk

Market price risk is the risk that the value of the Company's investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises mainly from uncertainty about future prices of financial instruments the company holds. It represents the potential loss the Company might suffer through holding market positions in the face of price movements.

The Company's investment portfolio is exposed to market price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy as set out in the Prospectus.

Adherence to investment guidelines and to investment and borrowing powers set out in the Instrument of Incorporation, the Prospectus and in the rules of the Financial Services Authority's Collective Investment Schemes Sourcebook mitigates the risk of excessive exposure to any particular type of security or issuer.

Foreign currency risk

Foreign currency risk is the risk that the value of the Company's investment holdings will fluctuate as a result of changes in foreign currency exchange rates.

The Company's investment portfolio can be invested in holdings that are registered overseas, and this means that the balance sheet can be affected by movements in foreign exchange rates. Revenue received in other currencies is converted to sterling on or near the date of receipt.

A portion of the net assets of the Company is denominated in currencies other than sterling with the effect that the balance sheet and total return can be affected by currency movements.

As at 30 September 2012, net currency monetary assets and liabilities consist of:

	Monetary assets	Non-monetary assets	Total net assets
	£	£	£
Sterling	1,503,277	2,366,607	3,869,884
Canadian Dollars		735,902	735,902
Euros		1,506,356	1,506,356
Swedish Kroner		2,514,573	2,514,573
Swiss Francs		429,911	429,911
US Dollars	1,727	6,551,593	6,553,320
Total	1,505,004	14,104,942	15,609,946

Interest rate risk

Interest rate risk is the risk that the value of the Company's investment holdings will fluctuate as a result of changes in interest rates.

The Company currently does not invest in floating rate securities. Interest rate risk exposure is restricted to interest receivable on fixed rate securities and bank deposits or payable on bank overdraft positions which will be affected by fluctuations in interest rates.

At the period end date 31.1% of the Company's assets by value were interest bearing.

Maturity of financial liabilities

The financial liabilities of the Company as at 30 September 2012 are payable either within one year or on demand.

Liquidity risk

The Company's assets comprise mainly of readily realisable securities. The main liability of the Company is the redemption of any shares that the investors wish to sell. Assets of the Company may need to be sold if insufficient cash is available to finance such redemptions.

Credit risk

Certain transactions in securities that the Company enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Company has fulfilled its responsibilities. The Company only buys and sells investments through brokers which have been approved by the ACD as acceptable counterparties and fund management companies. In addition, limits are set to the exposure to any individual broker that may exist at any time and changes in brokers' financial ratings are reviewed.

Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their market value.

11 Contingent assets and liabilities

At 30 September 2012, the Company had no contingent liabilities or commitments.

12 Portfolio transaction costs

		2012
	£	**£**
Analysis of total purchase costs		
Purchases in the year before transaction costs		13,672,265
Commissions & Taxes	14,704	
Total purchase costs		14,704
Total purchases including transaction costs		13,686,969

Analysis of total sales costs

There were no sales during the period.

Authorised Corporate Director's charges

The annual ACD charges are £10,000 plus the Investment Management Fee. The Investment Management Fee is currently equal to:

1. 0.50% of the Net Asset Value of the Company on the first £20 million; and
2. 0.35% of the Net Asset Value of the Company thereafter.

Distribution

Distributions of the revenue of the Company will be made to shareholders on or before 30 November each year.

Taxation

The Company will pay no corporation tax for the period to from 2 May 2012 to 30 September 2012 and capital gains within the Company will not be taxed.

Individual shareholders

Tax on distributions
Revenue distributed by an OEIC is paid net but individual shareholders resident for tax purposes in the UK should generally be entitled to a tax credit equivalent to one ninth of the amount of the net distribution. Tax vouchers are sent to shareholders with each distribution and UK resident shareholders will be taxed on the total of the distribution and tax credit shown on the voucher. The credit will meet liability to basic rate tax but if the shareholder pays tax at the higher rate there will be a further liability. If the shareholder is not liable to income tax the amount of the tax credit cannot be reclaimed from HM Revenue and Customs.

Capital gains tax
Individual shareholders resident in the UK for tax purposes may be liable to capital gains tax on realisation of their shares as with other chargeable assets. However, the first £10,600 of gains each year are presently tax free for individuals. Gains in excess of that amount are charged at the rate of tax applicable to the individual tax payer.

Corporate shareholders

Companies resident for tax purposes in the UK which hold shares should note that OEIC distributions are streamed into both franked and unfranked income. The unfranked income element will be treated as an annual payment which is subject to income tax at a rate of 20% and will be liable to tax accordingly. On realisation of their shares, UK resident companies may be liable to pay corporation tax on any capital gains.

The above information on taxation is only a general summary, and shareholders should consult their own tax advisors in relation to their own circumstances. Shareholders should also note that the position as outlined may change to reflect future changes in tax legislation.

Stamp duty reserve tax

SDRT may be charged either against the investors or against the property of the Company. The ACD may directly charge the incoming or outgoing investors, therefore creating a provision from which the SDRT would be paid. Under this option either the costs of purchasing shares would be increased or the proceeds from the sale would be reduced. Alternatively the ACD may treat SDRT as an expense, charging it against the capital property of the Company.

The ACD has chosen to charge SDRT against the Company, believing this to be in the best interests of the shareholders. The depositary is liable for payment of the SDRT liability.

Issue and redemption of shares

Valu-Trac Investment Management Limited is the Registrar. Valu-Trac Investment Management Limited will receive requests for the purchase or sale of shares at any time during normal business hours. Instructions may be given by telephone (01343 880217) or by sending an Application Form. Application forms are available from the Registrar.

The price of shares will be determined by reference to a valuation of the Company's net assets at 4.30pm on the 1st and 15th (or the next business day) of each month.

The ACD has the right to reject, on reasonable grounds relating to the circumstances of the applicant, any application for shares in whole or part, and in this event the ACD will return any money sent, or the balance of such monies, at the risk of the applicant.

Any subscription monies remaining after a whole number of shares has been issued will not be returned to the applicant. Instead, smaller denomination shares will be issued in such circumstances.

A contract note giving details of the shares purchased and the price used will be issued by the Registrar by the end of the business day following the valuation point by reference to which the purchase price is determined. Settlement is due on the date specified on the Contract Note.

Ownership of shares will be evidenced by an entry on the Company's Register of Shareholders. Certificates will not be issued. Statements in respect of periodic distributions of revenue will show the number of shares held by the recipient in respect of which the distribution is made. Individual statements of a shareholder's (or, when shares are jointly held, the first named holder's) shares will also be issued at any time on request by the registered holder.

Where shares are redeemed, payment will be made not later than the close of business on the fourth business day following the trade date. The minimum value of shares that a shareholder may hold is £100,000 at cost. The ACD may at its discretion accept subscriptions lower than the minimum amount.

The most recent issue and redemption prices are available from the ACD.

CORPORATE DIRECTORY

Authorised Corporate Director & Registrar	Valu-Trac Investment Management Limited Orton Moray IV32 7QE Telephone: 01343 880217 Fax: 01343 880267 E-mail: mpic@valu-trac.com Authorised and regulated by the Financial Services Authority Registered in England No 2428648
Director	Valu-Trac Investment Management Limited as ACD
Investment Manager	Hollis Capital Limited 18 Torphichen Street Edinburgh EH3 8JB Authorised and regulated by the Financial Services Authority
Depositary	National Westminster Bank Plc Younger Building 1st Floor, 3 Redheughs Avenue Edinburgh EH12 9RH Authorised and regulated by the Financial Services Authority
Auditor	Johnston Carmichael LLP CA Commerce House South Street Elgin IV30 1JE