



VT Thistledown Income Fund

Quarterly Factsheet

30th June 2020

Investment Adviser

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Further information is available at
www.thisim.com

Key Fund information

Fund size	£13.7m
Number of investments	34
Price (Z Acc)	127.9153p

Annualised Volatility

Fund (Z Acc)	7.5%
Benchmark	16.0%

Fees & charges

Annual management charge	0.60%
Performance fee	None
Initial charge	None
Ongoing charges (31 Dec 2019)	0.90%

Yield & dividends

Yield	1.96%
Quarterly dividend (ex date 30 Jun 20, paid 14 Jul 20)	1.27p

Security codes & other Fund Information

SEDOL (Z Acc)	BYYP644
ISIN (Z Acc)	GB00BYYP6442
SEDOL (Z Inc)	BNGXQZ0
ISIN (Z Inc)	GB00BNGXQZ01
Shares in Issue (Z Acc)	4,684,472
Market Value (Z Acc)	£6.0m
Launched	December 2010

Objective

To provide income while investing to provide some capital growth over the medium to long term.

Investment style: Value

Thistledown are value investors who buy shares in companies that they calculate to be selling below their intrinsic value. This is determined through detailed financial and industrial analysis, combined with a valuation approach that focuses on both stockmarket and corporate worth.

Investment performance

Growth (%)	3m	1y	3y	5y	Inception
Fund (Z Acc)	9.5	-3.5	-1.3	30.2	84.5
MSCI UK IMI Net	9.2	-14.7	-6.4	12.7	63.2

Past performance is not necessarily a guide to future performance

Top 10 investments as at 30th June 2020

Asset class	Holding	%
UK Gilts	UK Gilt 22/01/2021	15.1
UK Gilts	SPDR Barclays 1-5 Year Gilt	6.4
Japan	Morant Wright Fuji Yield GBP Inc Hedged	5.3
UK All Companies	Aberforth Smaller Companies Trust PLC	4.2
Emerging Market Bond	iShares Emerging Markets Local Government Bond	4.1
European Equity	OMV Petrom SA	3.7
UK Gilts	iShares UK Gilts 0-5yr	3.7
Commodity ETF	ETFS Physical Gold	3.6
Canadian Equity	Sprott Inc	3.4
UK All Companies	BlackRock Frontiers Investment Trust PLC	3.1

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Investment Commentary

INTRODUCTION

I am a suit to Dave Portnoy, although I haven't worn a suit for months.

You may not know Dave Portnoy (@stoolpresidente) despite his 1.6m Twitter followers. They love his 'different' approach to investing, particularly the ludicrous video clips on his feed. (Try not to smile as he crushes a cartoon Warren Buffett). Dave is a marketing genius, and 'suits' are part of his shtick.

Suits are conventional and are being 'crushed' by the market they don't get. Dave gets it, so do the millions of new traders opening accounts at Robinhood the online no-fee trading platform. Robinhood signed up 3 million accounts by May this year for a total of 13 million accounts. The average client is 26 years old.

These cheerleaders for the new economy are winning. COVID is still out there, but the NASDAQ recovered all its COVID losses on June 6th and is even higher as I write.

COMMENTARY

The fund rose 10% last quarter in line with the UK equity market. The fund usually lags a fast-rising market given the levels of cash and bonds held. The performance of a handful of companies made a big difference.

The outstanding performer was Sprott the Canadian investment management business. The shares doubled last quarter. The firm is unique among quoted investment management companies for only investing in precious metals and mining. Precious metals are a haven, and the company has benefitted. The company listed its shares on the New York Stock Exchange during the quarter which added to their attractions.

Cameco the Canadian uranium mining company, a new addition last quarter, rose 77% as signs appeared that the long bear market for uranium might be ending.

The most disappointing share price performance was from Lion Rock, the Hong Kong printing business. The price fell slightly overstates the reality as the company spun off shares in Left Field Printing. Nevertheless, the combination of difficult end markets, issues in Hong Kong and its small size held it back. It remains remarkably cheap and is managed by a team with a long and successful record and 'skin in the game'.

HP and Kulicke and Soffa fell slightly. There are trading reasons why they were out of favour. Still, they also serve to illustrate the most depressing fact about the US market for me; the destruction of value investors. As I write, the Russell growth index has returned 13% this year while the Russell value index has lost 17%.

TRANSACTIONS

Purchases

There was one new investment during the quarter; Jardine Cycle and Carriage. This company, listed in Singapore, makes most of its money in Indonesia through its stake in Astra International a conglomerate. We had held its parent Jardine Strategic, but Cycle and Carriage appeared more attractive hence the switch.

Sales

I sold the Lloyds Bank shares and added to the existing investments in RBS and Svenska Handelsbanken. Bank shares have done poorly, and the outlook is difficult for all of them. Yet Lloyds was substantially more expensive than RBS on specific valuation metrics and not of the same quality as Handelsbanken.

I reduced our investment in the oil sector with the sale of BP. The decision to pay the dividend was taken well by the market but felt inappropriate. Our other oil investments can sustain their dividends without the pressure evident at BP.



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Investment Commentary (continued)

OUTLOOK

I am happy to be a suit. The introduction to this letter pointed to the excitement and exuberance in certain parts of the market. There are now clearly 'no brainer' investments available that are world-beating, have had a splendid crisis and have outstanding economics. These companies will announce excellent numbers in the coming months. The pressure to invest in them when more traditional companies reveal the cost of the government shut down will be enormous but to quote Bernard Baruch;

'Something everyone knows isn't worth anything.'

I aim to resist the pressure and add gradually to companies and markets that are out of favour or lowly valued. Thank you as ever for your support, and I hope you and your families can enjoy the summer.

Market anecdote to cheer up the suits.

I attended an online conference in June. The European companies presenting were largely out of favour and lowly valued. But not all. I spent an hour talking to the founder and largest shareholder in a wonderful French software business. The founder has seen several cycles. The share price has risen sixty-fold since 2009 and his shareholding is now worth €50m. The company trades at 63 times prospective earnings and 7 times sales. So why did he feel underappreciated by the market? Bill.com Holdings, a competitor, recently listed in the US makes no money yet trades on 52 times sales. I share his pain; €350m is a lot more than €50m.

Dominic Fisher

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