

# The S&W Aubrey Capital Management Investment Funds

## Collective Conviction Fund

31 March 2010

**Aubrey Capital Management Limited** is an independent, global, investment manager which was founded in 2006 and is privately owned. The company is incorporated and based in Edinburgh, Scotland.

Aubrey is the investment manager of [the Collective Conviction Fund](#), a sub-fund of the S&W Aubrey Capital Management Investment Funds, an OEIC authorised by the UK Financial Services Authority, and of which the Authorised Corporate Director is Smith & Williamson Fund Administration Limited.

### Investment objective

The Collective Conviction Fund is a performance driven 'best of breed' Fund of Funds designed to harness rises in a range of assets when they are performing and to protect capital when markets turn ugly. No benchmark has been set for the Fund to allow a totally unconstrained asset allocation, however the MSCI AC World Index (£) is quoted for illustrative purposes.

### Performance

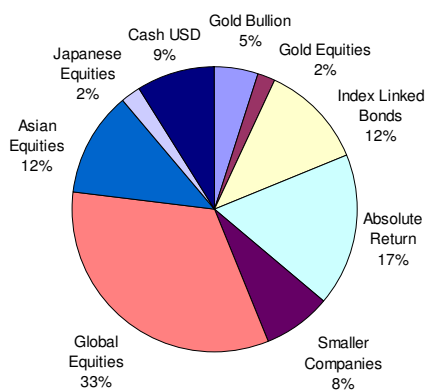
	1 mth	2009	2008	Since inception
Fund	+4.8%	+19.6%	-18.1%	+ 4.0%
Index*	+6.5%	+18.7%	-23.2%	+ 0.1%

\* MSCI AC World Index (£)

### Fund information

NAV	104.0p
Fund size (£m)	7.7
Launch date	19 September 2007
Fund Manager	Simon Milne
PEP/ISAable	Yes
Minimum investment	£5,000
Annual Management charge	1.0%
Status of Fund	UK OEIC
Share type	Accumulation

### Regional & Sector Breakdown



### 10 Largest Holdings

Fund Name	% of fund
CG Real Return	12.13
Cash USD	8.71
CF Odey Opus	6.47
Artemis Strategic Assets	5.96
Lyxor Gold Bullion	5.08
Monks Investment Trust	4.69
Chirin Asia Absolute Alpha	4.62
Germany (Federal Reserve) 4.75% 2040	4.38
Ruffer Investment Trust	4.23
Martin Currie Global Energy	4.22

### Important Information:

The preceding material is a factsheet of general background information about the S&W Aubrey Collective Conviction Fund current at the date above. It is information given in a summary form for intermediary use and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate. Any potential investor is strongly recommended to take advice from a qualified FSA regulated investment adviser and to obtain copies of the Fund's Prospectus and undertake appropriate research before making any investment decision. Aubrey Capital Management Limited is authorised and regulated by the Financial Services Authority ("FSA"). Registered in Scotland No. SC299239, Registered Office: 22 Stafford Street, Edinburgh EH3 7BD, VAT No. 893018609.



## Manager's Comment

March saw the Fund's NAV advance a steady 4.8%. Equities performed strongly with a rise of 6.5% from the MSCI World Index (£).

Star performer of the month was Scottish Mortgage +16.3% and the only detractor Gold Bullion which fell -0.2%. Performance was helped by Atlantis Japan Growth +9.8%, Martin Currie Global Energy +8.5%, Geiger Counter +8.5% and Veritas Asian +8.4%.

Elsewhere news that Christopher Mills increased his personal holding in his North Atlantic Smaller Companies Trust to just shy of 20% or £23.3m helped vindicate our position, a holding that still trades at a 30% discount to NAV. Better Capital also announced that it had bought out of administration, the UK subsidiary of Reader's Digest magazine, the second investment for this fund.

Interest amongst global investors has this month centred on Europe. We have taken a crash course in the last hundred years of German economic history starting with the exceptional account of the nightmare of the Weimar collapse; 'When Money Dies' by Adam Ferguson, and Julian Pendock at Senhouse Capital's 'Greece: The Euro's Trojan Horse, and Attendant Opportunities'.

Merryn Somerset Webb covered Julian's comments in her most recent FT article and advocated the Senhouse portfolio of global franchises and dividend payers with strong balance sheets and cashflows. We own such stocks in the portfolio but believe that equities are only part of the solution in a holistic, multi-asset, absolute return portfolio. Our thanks go to Peter Spiller for pointing us in the direction of the Fund's only new position during the month; the German 30 Year Bund, a holding he is as bullish about as the opportunities for overseas sovereign index-linked bonds.

The story is a disarmingly simple one and benefits from an asymmetrical outcome to the problems we currently see facing the Euro project. If, as many believe, the Greeks leave the Euro or the Eurozone splits into two halves (North and South), the holder of a

German bond will be in effect a holder of Deutschmarks, arguably the most attractive and undervalued currency in the world. Or alternatively the Euro holds together and a deflation is unleashed across Euro land as the PIIGS seek to undercut German competitiveness and growth across the region is muted. In such a scenario the current 4% yield could easily fall to say 2% as happened in Japan, giving a 50% rise in the capital value of our bond. While awaiting either eventuality, investors can enjoy an annual yield of around 4% paid to sterling investors in Euros.

The majority of the Fund's portfolio leans in the direction of inflation trades whether this is equities, index linked bonds, Gold or commodities. To have five per cent invested in a deflationary asset does not to us seem a contradiction, we might for instance be wrong about inflation or perhaps the great inflation/ deflation debate is not quite as black and white as the protagonists on either side make out, why not inflation in the US and China say and deflation in Europe? After all, Japan managed it, oblivious to what the rest of the world was doing for the past twenty years.

The secondary benefit to the Fund of holding a simple bond is to lower our Total Expense Ratio. There is no 'fee' on this bond and it can join a growing list of assets that we own that either have zero, or minimal fees attached, negating some of the criticism of the expense of a fund that invests in other funds. The true 'cost' of a small Fund that invests in Investment Trusts on wide discounts is a subject we will look to address in a future monthly.

The Fund continues to benefit from the rise in global equity markets with the Fund's NAV now securely in positive territory. At the same time we are recycling profits into assets which we hope will bullet proof the portfolio from what could be less clement conditions ahead.

## How to contact us:

Tel: +44 (0)131 226 2083

Smith & Williamson Dealing: +44 (0)207 131 4951

Email: [info@aubreycm.co.uk](mailto:info@aubreycm.co.uk)

Website: [www.aubreycm.co.uk](http://www.aubreycm.co.uk)

Registered Office: 22 Stafford Street, Edinburgh EH3 7BD

Registered in Scotland No. SC 299239

VAT No. 893018609

Aubrey Capital Management Limited is Authorised and Regulated by the Financial Services Authority (Reg. No. 455895)

