



# THS Growth & Value Funds

Report for the year ended  
31st March 2012 (audited)

**Directors of the Company**

Taube Hodson Stonex Partners  
Unit Trust Management Company Limited  
(Authorised and regulated by the  
Financial Services Authority)

**Authorised Corporate Director**

Taube Hodson Stonex Partners  
Unit Trust Management Company Limited  
PO Box 3733  
Royal Wootton Bassett  
Swindon SN4 4BG  
(Authorised and regulated by the  
Financial Services Authority)

**Directors of the****Authorised Corporate Director**

C.H. Stonex  
M. Evans  
R. Smithson  
A. Miremadi  
S.M.W. Bishop

**Investment Adviser**

Taube Hodson Stonex Partners LLP  
Cassini House, 1st Floor  
57-59 St. James's Street  
London SW1A 1LD  
(Authorised and regulated by the  
Financial Services Authority)

**Dealing, Administrator and Registration**

Northern Trust Global Services Limited  
50 Bank Street  
London E14 5NT  
Telephone: 0870 870 8433  
(Authorised and regulated by the  
Financial Services Authority)

**Depository\***

National Westminster Bank Plc  
135 Bishopsgate  
London EC2M 3UR  
(Authorised and regulated by the  
Financial Services Authority)

**Independent Auditors**

PricewaterhouseCoopers LLP  
7 More London Riverside  
London SE1 2RT

\*As part of an internal re-structuring, The Royal Bank of Scotland plc transferred its Trustee and Depository Services business from the Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc was appointed as Depository of the Company on 10th August 2011.

As Depository, National Westminster Bank plc will have the same duties and responsibilities as the Royal Bank of Scotland plc and the change of Depository will have no impact on the way the Company is operated.

## STATEMENT OF THE AUTHORISED CORPORATE DIRECTOR

This report of the THS Growth & Value Funds (“the Company”) is prepared by Taube Hodson Stonex Partners Unit Trust Management Company Limited, the Company’s Authorised Corporate Director (“ACD”).

The Company is an Open-Ended Investment Company (“OEIC”) with Variable Capital under registration number IC39. It is authorised and regulated by the Financial Services Authority (“FSA”) by an authorisation order effective on 1st July 1999.

The Company is a UCITS scheme which complies with the FSA’s Collective Investment Schemes sourcebook (the “COLL”) and is structured as an umbrella company so that different sub-funds may be established from time to time by the ACD with the approval of the FSA and agreement of the Depositary.

The Company has two different sub-funds, International Growth & Value Fund (“IGV Fund”) and European Growth & Value Fund (“EGV Fund”).

This report includes short reports for each of the sub-funds: IGV Fund and EGV Fund. The full Report and Accounts are available free of charge on request from the ACD.

Taube Hodson Stonex Partners Unit Trust Management Company Limited  
PO Box 3733  
Royal Wootton Bassett  
Swindon  
SN4 4BC

# INTERNATIONAL GROWTH & VALUE FUND

## Investment Objectives

The investment objective of the Fund is to realise capital growth through investing principally in listed equities internationally. The main areas of investment will be the United Kingdom, Continental Europe, North America and Japan, although a proportion of the Fund's assets may be invested in other areas.

## Risk Profile

The Fund invests in securities internationally, and is therefore exposed to changes in currency rates which may affect the performance of the Fund.

## Fund Facts

Account reference dates: 31st March, 30th September

Report publication dates: 31st July, 30th November

Distribution payment dates: 31st May

## Total Expense Ratio (TER)

	as at 31/03/12	as at 31/03/11
Income Shares Class A	<b>0.40%</b>	0.46%
Income Shares Class B	<b>1.28%</b>	1.34%
Accumulation Shares Class Y	<b>0.38%</b>	0.43%
Accumulation Shares Class Z	<b>1.07%</b>	1.12%
Income Shares Class B (Euro)	-	-
Accumulation Shares Class Z (Euro)	<b>1.07%</b>	-

The Total Expense Ratio is the ratio of the Fund's operating costs (excluding overdraft interest and transaction charges) to the average net assets of the Fund. To date no shares have been issued on Income Shares Class B Euro.

# INTERNATIONAL GROWTH & VALUE FUND

## Ongoing Charges Figures (OCF)

	as at 31/03/12
Income Shares Class A	<b>0.40%</b>
Income Shares Class B	<b>1.28%</b>
Accumulation Shares Class Y	<b>0.38%</b>
Accumulation Shares Class Z	<b>1.08%</b>
Income Shares Class B (Euro)	-
Accumulation Shares Class Z (Euro)	<b>1.08%</b>

The Ongoing Charges Figure (OCF) is the ratio of the Fund's disclosure costs (excluding overdraft interest) to the average net assets of the Fund. To date no shares have been issued on Income Shares Class B (Euro).

The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a Fund and is calculated based on the current period's figures. The OCF will be included in all Report and Accounts for the year ended 31 March 2012 onwards in accordance with the FSA Collective Investment Schemes sourcebook and the additional guidance provided for the Statement of Recommended Practice for Authorised Funds issued by the IMA in July 2011. As a result, the OCF will replace the TER in all subsequent reports, however as prior figures have not been recalculated the TER will be retained as a comparative figure.

## Synthetic Risk and Reward Indicator

	as at 31/03/12
Income Shares Class A	<b>6</b>
Income Shares Class B	<b>6</b>
Accumulation Shares Class Y	<b>6</b>
Accumulation Shares Class Z	<b>6</b>
Income Shares Class B (Euro)*	<b>6</b>
Accumulation Shares Class Z (Euro)*	<b>6</b>

The Synthetic Risk and Reward Indicator (SRRRI) is not a measure of the risk of capital loss, but a measure of the Fund's price movement over time, the higher the number the greater the price movement both up and down. It is based on historical data and is not a reliable indication of the future risk profile of the Fund. The risk category shown is not guaranteed and may change over time. The risk categories are measured from 1 – 7 (1 measuring typically lower risk/rewards and 7 measuring typically higher risk/rewards). The lowest category does not mean a risk-free investment. There is no capital guarantee. The value of investments and the income from them may go down as well as up and investors may not get back the amount they invest.

\*The SRRIs for these recently launched share classes include past data and price movements of representative portfolios to provide an indication of price movements over previous years.

# INTERNATIONAL GROWTH & VALUE FUND

## Net Asset Values

The net asset value for the year ended:

Year end date	Total net asset value Fund £'000	Net assets per share				Inc Shares Class B (Euro)* c	Acc Shares Class Z (Euro)* c
		Inc Shares Class A p	Inc Shares Class B p	Acc Shares Class Y p	Acc Shares Class Z p		
31/03/09	424,666	188.97	189.98	219.21	212.66	-	-
31/03/10	851,054	268.55	269.70	317.75	306.03	-	-
31/03/11	769,703	284.91	285.95	343.42	328.49	-	372.17
31/03/12	640,098	254.69	255.59	314.96	299.21	-	359.36

## Shares in issue

	Inc	Acc	Inc (Euro)*	Acc (Euro)*
31/03/09	6,974,561	192,716,313	-	-
31/03/10	3,959,454	273,225,828	-	-
31/03/11	2,559,769	230,967,730	-	12,050
31/03/12	2,331,303	200,035,321	-	11,198,248

## Distributions

Calendar Year	Inc Shares Class A p	Inc Shares Class B p	Acc Shares Class Y p	Acc Shares Class Z p	Inc Shares Class B (Euro)* c	Acc Shares Class Z (Euro)* c
2007	3.9010	1.9015	4.2741	2.4706	-	-
2008	5.0275	3.1467	5.5493	3.5202	-	-
2009	5.8331	4.2223	6.5718	4.9926	-	-
2010	5.3463	3.6245	6.1986	4.0671	-	-
2011*	5.2886	3.4568	6.2704	3.9467	-	-
2012**	6.6712	4.8540	8.0869	5.5446	-	7.2419

\* Income Shares Class B (Euro) and Accumulation Shares Class Z (Euro) were launched on 16th February 2011. Currently no shares have been issued on Income Shares Class B (Euro).

\*\* To 31st March 2012.

# INTERNATIONAL GROWTH & VALUE FUND

## Highest and Lowest Prices

Calendar Year	Class A		Income Shares Class B		Class B (Euro)*†	
	Highest	Lowest	Highest	Lowest	Highest	Lowest
	p	p	p	p	c	c
2007	287.80	247.10	287.00	247.10	-	-
2008	286.20	187.50	285.10	187.70	-	-
2009	261.30	177.10	258.50	176.70	-	-
2010	280.90	228.70	280.60	229.20	-	-
2011*	293.40	223.10	292.80	223.10	349.70	256.30
2012**	268.40	243.80	267.50	243.30	322.10	294.10

Calendar Year	Class Y		Accumulation Shares Class Z		Class Z (Euro)*	
	Highest	Lowest	Highest	Lowest	Highest	Lowest
	p	p	p	p	c	c
2007	317.80	272.80	311.00	267.50	-	-
2008	316.10	210.90	308.80	205.00	-	-
2009	303.10	199.30	292.80	193.30	-	-
2010	332.40	270.60	318.50	260.10	-	-
2011*	348.80	268.80	333.50	256.30	396.90	294.40
2012**	323.40	293.80	307.30	279.60	370.10	338.00

\* Income Shares Class B (Euro) and Accumulation Shares Class Z (Euro) were launched on 16th February 2011. Currently no shares have been issued on Income Shares Class B (Euro).

\*\* To 31st March 2012.

† Currently no shares have been issued for the IGV Income Shares Class B (Euro) and the price shown is a reflection of the IGV Income Shares Class B in Sterling, and has been adjusted to show the Euro value.

## INTERNATIONAL GROWTH & VALUE FUND

This report covers the year from 1st April 2011 to 31st March 2012.

Please note that the following figures are for information only and represent the change in price over the 12 months to 31st March 2012.

During the year under review the price of IGV Income Shares Class A fell by 9.98% from a price of 290.6p to 261.6p, the price of IGV Income Shares Class B fell by 10.04% from a price of 289.8p to 260.7p, the price of IGV Income Shares Class B (Euro)\* fell by 4.57% from a price of 328.0c to 313.0c the price of IGV Accumulation Shares Class Y fell by 8.29% from a price of 343.8p to 315.3p, the price of IGV Accumulation Shares Class Z fell by 8.94% from a price of 328.9p to 299.5p and the price of IGV Accumulation Shares Class Z (Euro) fell by 3.49% from a price of 373.0c to 360.0c.

Over the same period the MSCI World Index fell by 1.40%, the MSCI World Total Return Index rose by 0.89%, the MSCI World (Euro) Index rose by 4.73% and the MSCI World Total Return (Euro) Index rose by 7.16%

On the 18 June 2012, the latest available date before the printing of this report, the price of IGV Income Shares Class A was 240.7p, IGV Income Shares Class B was 241.2p, IGV Income Shares Class B (Euro) was 298.8c, IGV Accumulation Shares Class Y was 297.6p, IGV Accumulation Shares Class Z was 282.3p and IGV Accumulation Shares Class Z (Euro) was 349.9c. The estimated yields for each share class were 2.00%, 1.30%, 0.02%, 0.10%, 0.00% and 0.02% respectively, but we would like to point out to investors that the Fund is run for capital growth rather than income and therefore the yield may well vary considerably.

Please note that past performance is not necessarily a guide to future performance and that the value of your investment may go down as well as up and you may not get back the amount invested.

\* Currently no shares have been issued for the IGV Income Shares Class B (Euro) and the price shown is a reflection of the IGV Income Shares Class B in Sterling, and has been adjusted to show the Euro value.



# INTERNATIONAL GROWTH & VALUE FUND

## Portfolio Information

Classification of Investments	% of Fund value as at	
	31/03/12	31/03/11
Australia	<b>4.04</b>	5.08
Belgium	<b>1.42</b>	1.34
Canada	<b>4.28</b>	5.44
France	<b>9.36</b>	10.79
Germany	<b>9.15</b>	7.97
Hong Kong	<b>2.99</b>	3.30
India	<b>0.53</b>	0.89
Italy	<b>0.56</b>	0.83
Japan	<b>1.55</b>	1.35
Luxembourg	<b>0.82</b>	-
Netherlands	<b>2.80</b>	3.01
Norway	<b>3.57</b>	3.43
South Korea	-	1.47
Spain	<b>1.42</b>	2.07
Sweden	<b>4.18</b>	3.80
Switzerland	<b>6.68</b>	5.55
United Kingdom	<b>22.69</b>	23.01
United States	<b>18.18</b>	16.27
Japanese Yen Hedging	<b>0.14</b>	0.01
Euro Hedging	<b>0.12</b>	(0.30)
<b>Portfolio of Investments</b>	<b>94.48</b>	95.31
Net other assets	<b>5.52</b>	4.69
<b>Net assets</b>	<b>100.00</b>	100.00

# INTERNATIONAL GROWTH & VALUE FUND

## Major Holdings

% of Fund value as at  
31/03/12

Hutchison Whampoa	<b>2.83</b>
Vodafone	<b>2.44</b>
Deutsche Post	<b>1.94</b>
Vivendi	<b>1.91</b>
Swiss Reinsurance	<b>1.90</b>
ING Group	<b>1.88</b>
Orkla	<b>1.83</b>
Pfizer	<b>1.80</b>
Medicover Holdings	<b>1.78</b>
Schibsted	<b>1.74</b>

% of Fund value as at  
31/03/11

Hutchison Whampoa	3.11
Vivendi	2.35
Experian	2.03
BSkyB	1.94
Orkla	1.91
HSBC Holdings	1.89
ING Group	1.88
BNP Paribas	1.85
Royal Dutch Shell 'B'	1.79
Intel	1.76

# INTERNATIONAL GROWTH & VALUE FUND

## Report from Investment Adviser

Equity markets, having experienced bouts of extreme volatility during the Fund's first half, rallied in the second six months of the year. The gains achieved, however, were not sufficient to wipe out the Fund's earlier losses. Over the year to 31 March, the MSCI World Total Return Index, the benchmark for the Fund rose by 0.89 percent in Sterling terms on a total return basis, while the Fund's Y class accumulation shares fell by 8.29 per cent net of fees.

The poor relative performance of the Fund over the period is due to two principal factors. Firstly, the beginning of the Fund's year represented a highpoint for markets and relative performance. Secondly, US markets have significantly outperformed those in Europe. Over recent years the cheaper valuations of European companies have inevitably resulted in a portfolio which is more heavily weighted in Europe. The Fund therefore contains a lower proportion of US holdings than the benchmark and this is reflected in the relative return.

Our view is that the valuation differential between Europe and the US is now at extreme levels and that any solution to the European sovereign issues should close the gap substantially. In the US the recovery is quite well entrenched and greater investment and better employment figures should filter through. We believe that Europe, where expectations are very low, will start to follow a similar pattern, albeit with some delay and at a slower pace.

The Fund's poorest performers over the year were Niko Resources and Human Genome. Niko Resources continued to experience problems at its D6 gas field offshore India. On a positive note the company and its partners – BP and Reliance – are working on a plan to resolve the issues. Human Genome fell because its new drug had a slower than expected launch. Post year end, Glaxo made a bid for its partner, Human Genome, which although at a substantial premium, still does not reflect the full value of Human Genome's products.

Top contributor over the year was Intel which has recently unveiled its 'ARM killer' mobile phone processors. Yum! Brands, the fast food business which owns KFC and a range of other fast food brands, continued its strong performance in China. It also started to see an improvement in its US operation, which has lagged for several years. Lennar, the American homebuilder and distressed housing loan investor was also a major contributor. It is one of our 'US housing and infrastructure' holdings. We added to this theme in the second half with the purchase of HeidelbergCement, which has since risen strongly.

Other new purchases during the year include the German property companies Gagfah and TAG Immobilien. German property remains extremely cheap with residential values at very large discounts to other similar markets. Yields are considerably higher than elsewhere and the opportunity for capable managers to improve the stock is excellent.

A new theme which we believe offers considerable potential is North American gas. One calorie derived from natural gas in North America costs about one eighth of the price of a calorie derived from oil. We think this differential is too wide and we hope to take advantage of the gap closing. We are currently spending considerable time researching suitable candidates.

# INTERNATIONAL GROWTH & VALUE FUND

## Report from Investment Adviser - *continued*

So far, we have bought Apache in Canada, which has substantial gas interests - including the Kitimat LNG terminal, which will enable cheap gas to be exported to Asia - and the Fund has recently purchased shares in Patterson-UTI which owns onshore rigs in the US.

In general we are still finding very good value and throughout the year have added to holdings which have been left behind or which offer compelling value. These additions have ranged from the French bank BNP Paribas to the American biotechnology company Human Genome - which was topped up just before the bid. In contrast, we have also found that some holdings – particularly those that are closest to investors' favourite areas, such as emerging markets and other areas away from the problems in Europe – have begun to reach valuations which reflect future potential. For example, we sold the Fund's holding in Rio Tinto and trimmed Royal Dutch Shell and Yum! Brands. We also sold the News Corp holding after a good increase in the price and amidst the unfolding drama at the company.

This has been a tiresome period. What looked like the beginning of a good rally with improving sentiment towards Europe at the outset became another year dominated by alarming headlines and volatile markets. However, it is comforting to look down the list of investments in the Fund. If one ignores the macro economic and political stories which dominate the headlines, the holdings in the portfolio consist of global businesses, well positioned within growth themes, priced at very low valuations and producing good dividends. The profits we expect from these holdings have been somewhat delayed but we are confident that patience will ultimately be rewarded.

**Taube Hodson Stonex Partners LLP**

**Investment Adviser**

**April 2012**

# EUROPEAN GROWTH & VALUE FUND

## Investment Objectives

The investment objective of the Fund is to produce long term capital growth, through holding a diversified portfolio of quoted or traded equity investments primarily in companies which are incorporated, quoted or traded on any stock exchange or over-the-counter market in Europe or in companies incorporated, quoted or traded on any stock exchange or over-the-counter market elsewhere, the majority of whose revenues and/or profits are derived from activities in Europe.

## Risk Profile

The Fund invests in securities internationally, and is therefore exposed to changes in currency rates which may affect the performance of the Fund.

## Fund Facts

Account reference dates: 31st March, 30th September

Report publication dates: 31st July, 30th November

Distribution payment dates: 31st May

## Total Expense Ratio (TER)

	as at 31/03/12	as at 31/03/11
Income Shares Class B	<b>2.43%</b>	2.75%
Accumulation Shares Class Z	<b>1.87%</b>	2.13%

The Total Expense Ratio is the ratio of the Fund's operating costs (excluding overdraft interest and transaction charges) to the average net assets of the Fund.

## Ongoing Charges Figure

	as at 31/03/12
Income Shares Class B	<b>2.49%</b>
Accumulation Shares Class Z	<b>1.93%</b>

The Ongoing Charges Figure (OCF) is the ratio of the Fund's disclosure costs (excluding overdraft interest) to the average net assets of the Fund.

The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a Fund and is calculated based on the current period's figures. The OCF will be included in all Report and Accounts for the year ended 31 March 2012 onwards in accordance with the FSA Collective Investment Schemes sourcebook and the additional guidance provided for the Statement of Recommended Practice for Authorised Funds issued by the IMA in July 2011. As a result, the OCF will replace the TER in all subsequent reports, however as prior figures have not been recalculated the TER will be retained as a comparative figure.

# EUROPEAN GROWTH & VALUE FUND

## Synthetic Risk and Reward Indicator

as at  
31/03/12

Income Shares Class B	6
Accumulation Shares Class Z	6

The Synthetic Risk and Reward Indicator (SRRI) is not a measure of the risk of capital loss, but a measure of the Fund's price movement over time, the higher the number the greater the price movement both up and down. It is based on historical data and is not a reliable indication of the future risk profile of the Fund. The risk category shown is not guaranteed and may change over time. The risk categories are measured from 1 – 7 (1 measuring typically lower risk/rewards and 7 measuring typically higher risk/rewards). The lowest category does not mean a risk-free investment. There is no capital guarantee. The value of investments and the income from them may go down as well as up and investors may not get back the amount they invest.

## EUROPEAN GROWTH & VALUE FUND

### Net Asset Values

The net asset value for the year ended:

Year end date	Total net asset value Fund £'000	Net asset per share		Shares in issue	
		Inc Shares Class B p	Acc Shares Class Z p	Inc Shares Class B	Acc Shares Class Z
31/03/09	3,267	117.02	125.63	189,285	2,423,985
31/03/10	5,123	180.60	197.83	190,906	2,415,413
31/03/11	5,921	199.25	219.23	177,406	2,539,539
31/03/12	4,978	164.32	183.04	130,944	2,601,852

### Distributions

Calendar Year	Inc Shares Class B p	Acc Shares Class Z p
2007	0.9602	0.9922
2008*	-	-
2009	2.6774	5.6387
2010	-	-
2011	0.8877	0.9615
2012**	2.0178	2.1979

\* Figures prior to 31st March 2009 represent those from when the EGV sub-fund's assets were held as The Partners European Fund.

\*\*To 31st March 2012.

# EUROPEAN GROWTH & VALUE FUND

## Highest and Lowest Prices

Calendar Year	Income Shares Class B		Accumulation Shares Class Z	
	Highest	Lowest	Highest	Lowest
	p	p	p	p
2007	223.36	199.10	231.98	200.83
2008	214.51	125.18	224.67	131.00
2009	175.75	108.87	192.50	114.21
2010	186.97	154.40	204.81	169.13
2011	203.90	141.60	225.00	155.80
2012*	170.50	148.60	188.20	163.50

\* To 31st March 2012.



## EUROPEAN GROWTH & VALUE FUND

This report covers the year from 1st April 2011 to 31st March 2012.

Please note that the following figures are for information only and represent the change in price over the 12 months to 31st March 2012.

During the year under review the price of EGV Income Shares Class B fell by 17.06% from a price of 201.1p to 166.8p and the price of EGV Accumulation Shares Class Z fell by 16.70% from a price of 220.3p to 183.5p.

Over the same period the MSCI Europe (incl UK) Index fell by 10.26% and the MSCI Europe (incl UK) Total Return Index fell by 7.24%

On the 18th June 2012, the latest available date before the printing of this report, the price of EGV Income Shares Class B was 156.7p and EGV Accumulation Shares Class Z was 174.5p. The estimated yields for each share class were 0.50% and 0.50% respectively, but we would like to point out to investors that the Fund is run for capital growth rather than income and therefore the yield may well vary considerably.

Please note that past performance is not necessarily a guide to future performance and that the value of your investment can go down as well as up and you may not get back the amount invested.

# EUROPEAN GROWTH & VALUE FUND

## Portfolio Information

Classification of Investments	% of Fund value as at	
	31/03/12	31/03/11
Belgium	<b>1.74</b>	1.78
Denmark	<b>0.55</b>	0.00
France	<b>20.92</b>	20.49
Germany	<b>15.87</b>	14.31
Italy	<b>1.80</b>	1.07
Luxembourg	<b>2.05</b>	1.14
Netherlands	<b>6.55</b>	8.37
Norway	<b>10.72</b>	12.39
Spain	<b>0.99</b>	1.31
Sweden	<b>3.96</b>	3.71
Switzerland	<b>10.84</b>	7.85
United Kingdom	<b>22.25</b>	24.89
Euro Hedging	<b>0.26</b>	(0.60)
<b>Portfolio of Investments</b>	<b>98.50</b>	96.71
Net other assets	<b>1.50</b>	3.29
<b>Net assets</b>	<b>100.00</b>	100.00

# EUROPEAN GROWTH & VALUE FUND

## Major Holdings

% of Fund value as at  
31/03/12

Schibsted	<b>4.88</b>
Tag Immobilien	<b>3.87</b>
Ludorum	<b>3.85</b>
BSkyB	<b>3.23</b>
Deutsche Post	<b>0.90</b>
ANF	<b>3.07</b>
Sky Deutschland	<b>2.84</b>
Vivendi	<b>2.83</b>
Swiss Re	<b>2.55</b>
Svenska Handelsbanken	<b>2.50</b>

% of Fund value as at  
31/03/11

Ludorum	4.66
Tag Immobilien	3.45
BSkyB	3.34
Schibsted	3.30
Sky Deutschland	3.21
CSM	3.06
ANF	2.98
Vivendi	2.59
Lagardere	2.51
GPE Eurotunnel SA	2.49

# EUROPEAN GROWTH & VALUE FUND

## Report from Investment Adviser

Following bouts of extreme volatility in the Fund's first half, stock markets performed strongly in the second six months of the year. Indeed the Fund rose by almost 10 per cent in the second half, but this increase was not enough to wipe out the earlier losses. Over the year to 31 March the MSCI Europe (including the UK), the benchmark index for the Fund, had fallen by 7.24 per cent in Sterling terms on a total return basis, and the Fund's accumulation shares were down by 16.70 per cent net of fees.

Markets continue to be concerned about the recovery paths of both the US and Europe and the potential for a slowdown in China. There is also, of course, considerable fear that the eurozone sovereign problems have not been resolved.

In general, the Fund suffered because of the renewed European crisis. This was not only true for the financial holdings in the portfolio, but also for those in other vulnerable areas such as telecoms, media and energy.

The two poorest performers were Ludorum, the developer of 'Chuggington', the children's animated television programme, and Sky Deutschland. Both companies gave back a portion of previous strong gains. In each case the underlying business performance continues to be solid.

The Fund's best performer over the year was Schibsted, which has been very successful in developing online classified advertising. Other major contributors were Experian, the information services group, Swiss Re, the reinsurer and Deutsche Post which responded to a bid for its Dutch peer company. HeidelbergCement, which the Fund purchased in the second half, also contributed strongly. The company benefited from stabilization in the US housing market. It also has significant exposure to high growth emerging markets in Eastern Europe and South East Asia, which have been performing well.

During the period we sold the disappointing investment in Actelion, after its lead drug stopped growing earlier than expected and when takeover prospects faded. We also sold Fornebu at a good profit following a takeover bid. We took the opportunity of a strong share price to reduce the Royal Dutch Shell holding - in general we are a little cautious on commodity prices.

A new investment was recently made in Italy's Banca Monte dei Paschi. The shares were purchased at a very low book multiple following a rights issue to improve the capital position of the bank. Although sovereign risk fears have resurfaced we believe that this fundamentally good quality bank will respond well once the environment has normalised.

Overall, our feeling is that the US recovery is now fairly self-sustaining; employment should begin to accelerate as companies cope with faster activity and, after a long period of abstinence, investment should begin to pick up. In Europe, recovery will be slower and will lag the US. However, we do see substantial scope for European productivity to catch up if reforms really are implemented.

## EUROPEAN GROWTH & VALUE FUND

### **Report from Investment Adviser - *continued***

Although we have been expecting better markets for a while, we do think that the de-rating of Europe – particularly in relation to the US – must come to an end soon. The opportunity to purchase high quality companies at barely double digit P/E ratios is too attractive to last long and we expect European markets to produce good returns over the medium term.

**Taube Hodson Stonex Partners LLP**

**Investment Adviser**

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