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Dear Investor,

The inherent volatility of equities never ceases to amaze me, much like the 24hr news cycle, a subject can captivate a nation, dominate café and dinner party conversation and overshadow all other news yet be forgotten and discarded in a matter of days or weeks. Markets are much the same, the underlying value of equities don't generally change much in the short term yet in my portfolio it is common for stocks to move 10% in a day or two and often more than that in a month. While the academics would consider this as quantifiable risk, I see it as simply the nature of markets but also opportunity. While I do little trading in the fund, the sometimes-extreme volatility of markets provides great opportunities. Only 4 months ago we bought Money 3 (MNY) at $1 when it was well over sold, it is now trading at $1.70, Shriro (SHM) is another stock that suffered a massive 40% sell off in a matter of hours before stabilising and rebounding. We bought the stock back in April at around 85c, it has since bounced to over $1.30. The extreme volatility of equities is very attractive to natural bargain hunters like me and I don't see this changing any time soon. I will continue to wait for compelling opportunities like those above.
Our markets have experienced a pretty severe sell off as the US federal election has tightened up. I have chosen to stick to my knitting and have not taken a position either way on the outcome. **In the event the market experiences a big sell off post the vote, then we will buy good things cheap.**

Performance of founder's units to 31 Oct 2016:

Period	*Fund	ASX 300 Accumulation
1 Month %	2.2	-2.1
3 Months %	9.5	-3.2
6 Months %	16.2	3.5
1 Year %	9.2	6.3
Since inception (Nov 2014) p/a	8.02	2.89
Size of fund	$11m	

*Assumes reinvestment of distributions.

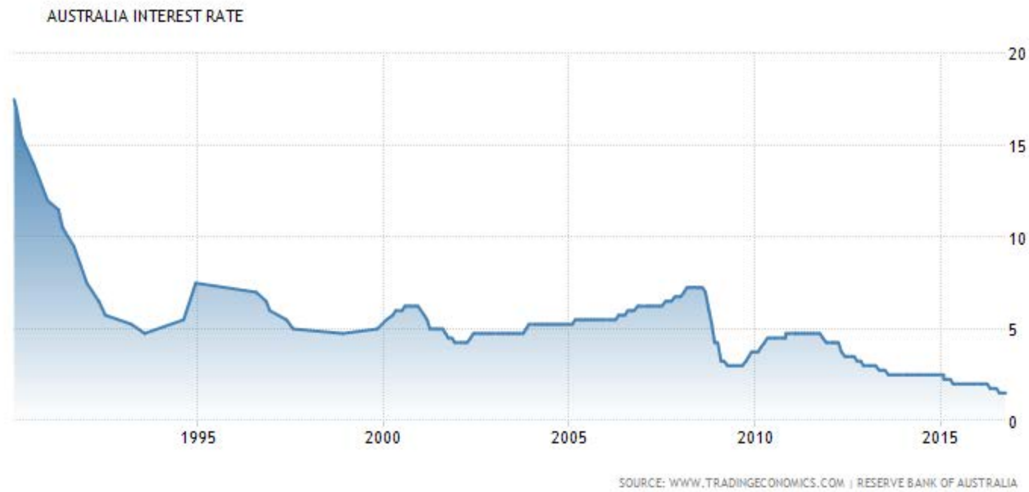
PMP

Last month the long awaited industry consolidation began in the catalogue printing industry. I must say, this has taken longer than I hoped but finally Peter George the CEO announced a merger with the Hannon print group effectively taking out one of PMP's major competitors and with it substantial industry over capacity (subject to ACCC approval). The stock jumped around 30% in a day, which was pleasing, but I suspect there is more upside in this one yet. I started buying PMP at 15c several years ago so at the current price of 85c, it shows you can make money in a very challenging industry if you buy cheap enough **and, the business is run by good management.**

It must be said that PMP would probably have failed under different leadership. Management has cut costs very aggressively, paid down debt and now merged with a competitor. It has been a resurrection the Greek god, Asclepius would have been proud of.
It serves as a reminder that while investing in industries with a tail wind seems much easier, great opportunities can be found by investing in bombed out, unloved sectors. The recovery in the coal sector this year is another reminder that when markets get fixated on the thematic, it is highly likely prices will over shoot sensible levels. There have been fortunes made this year in coal stocks in an environment of solar power, lithium batteries and global warming. It pays to be greedy when others are fearful! I'm afraid we did not benefit from this coal price recovery but there will be other similar opportunities.

RXP
We started buying this technology consultancy business back in June at 54c. The stock had grown via multiple acquisitions for several years and had seen substantial revenue growth but had not seen a corresponding increase in earnings. I judged this was set to change and having met management a couple of times, decided it was due to see both earnings growth and re-rating. **It had, good management, industry consolidation is occurring and the stock appeared cheap, trading on a single digit earnings multiple.**
The stock is now trading at 90c and I expect to see higher levels yet.

Big Trends



The chart above is the inverse of the massive 35year bull market we have seen in Australian Government bonds this is mirrored in much of the world. Cash rates in Australia peaked at 17.5% in 1990 (according to the RBA website) and as you can see have fallen albeit with some volatility to ever decreasing levels to 1.5% an all time low. With this move asset prices have skyrocketed particularly property and infrastructure. Investors betting on this trend continuing are, really trying to suck the last puff from a spent cigar. The easy money has been made and the foolhardy remain.
The chart below shows that despite the fact that cash rates have not started going up yet, the market is anticipating the end of the interest rate cycle. Sydney Airports (SYD) is one of the world's great infrastructure assets but in the bull market for these income stocks, it became wildly expensive and is now correcting. **A reminder that even high quality stocks fall when the variables align.**
Every Boom Busts it's just a matter of when.

Chart from yahoo

We sold our only property trust a month ago. Despite it being a bit cheap it has fallen another 10%. This is an area of the market I have chosen to avoid completely at this time but if there is a real panic, compelling opportunities may be provided in the future.

Portfolio

Our portfolio is down to 26 stocks and several of these are very small positions currently being sold. We have a mixed portfolio with good diversification between industries. Our largest industry exposure is in finance via our positions in: FSA Group (FSA), Money 3 (MNY), Centre Point Alliance (CAF), Investsmart (INV) and Credit Corp (CCP). All have done well for us this year.

18 of our 25 stocks are paying dividends and most are trading at around 10x this year's earnings**. This low P/E is what provides the margin for error. It is with great trepidation I move away from low earnings multiple stocks.** The portfolio closed out Oct with a cash position of about 15%.

I remain very comfortable with the outlook for the portfolio and expect it to shrink back towards 20 stocks in the coming months as I sell a few small positions out.

As always we remain patient awaiting compelling opportunities and trying hard to avoid loss-making decisions (although these are sometimes inevitable). In almost any type of market bargains can be found, we wont find them all but a small number per year is all we require.

Don't hesitate to call me for further detail.

Good investing,

Nigel Littlewood

7th Nov 2016