

SCEPTRE

INVESTMENT MANAGEMENT
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Luke Howard Taylor

Closure of the Fund on 30 September 2009
Sceptre UK Fund

Fellow Shareholders:

The closing NAV of the Sceptre UK Fund on 30th September 2009 was £1,449.16, following an increase of 39.7% in the third quarter whilst the FTSE All-share index (TR) was up 22.4%. The excellent performance achieved this year and over the history of the Fund is overshadowed by the tragedy of Chris Broadhurst's death on the 29th August 2009.

Chris was the founder, fund manager and principal of the company, so there was little choice but to liquidate and distribute the assets from the Fund. I began the liquidation on 15th September and this was completed on the 5th of October, I believe the winding-up and distributions have been achieved efficiently and within a timeframe Chris would have approved of.

Value investors are the contrarian thinkers of investment world; when everybody else is throwing in the towel a good value investor should stick to his research and keep his eye on the long-term. 2008 was a difficult year, in which the NAV declined 39.9% and underperformed the market; however it was also a magnificent year for adding value to the Fund. Market prices lost touch with realistic appraisals of the fair value of many good and some great businesses. We were 100% invested, adding to our existing positions at extremely low prices and initiating new positions in strong franchises at fractions of their true worth – recognition of some of this undervaluation has been the catalyst which has resulted in the 141.6% increase in the Fund from its low on 19th November 2008.

The total net return of the fund after all fees and expenses has been 42.4% and this compares favourably to the total return on the FTSE All-share of 10.8% over the same period. The gross return was 56.2%, equating to an out-performance of the FTSE All-share (TR) of 9.2% per annum before and 6.6% per annum after fees. Lipper, Inc. have provided performance analysis showing that in the last 12 months the Fund was the best performing UK Equity fund from their universe of 1,907 funds and that since inception 4 years ago the Fund ranks 4th from 1,260 peers.

It has been a fascinating time to be investing in the market over the last 4 years and I hope that in a small way we have strengthened the case that focused in-depth research and analysis can allow even a small team to out-perform the market following a value discipline. Benjamin Graham described Mr. Market as a manic depressive over 50 years ago, and despite all the innovation of financial markets his underlying character remains just as skittish today. Investors who can separate themselves from being caught up in this behaviour significantly improve their odds of out-performing the market.

Performance Summary

<u>Year End (31 Dec)</u>	<u>NAV*</u>	<u>Cumulative</u>	<u>FT All-Share</u>	<u>Cumulative</u>	<u>Relative over Period</u>
30 Sep 2009	+ 97.4 %	+ 42.4 %	+ 23.4 %	+ 10.8 %	+ 74.0 %
2008	- 39.9	- 27.9	- 29.9	- 10.2	- 10.0
2007	- 8.5	+ 20.0	+ 5.3	+ 28.2	- 13.8
2006	+ 21.6	+ 31.1	+ 16.8	+ 21.7	+ 4.8
30 Sep 2005	+ 7.8	+ 7.8	+ 4.2	+ 4.2	+ 3.6
Total Annual Compounded Rate*		+ 9.2		+ 2.6	+ 6.6
	<u>Total Return</u>	<u>1 Year</u>	<u>3 Years</u>	<u>4 Years</u>	
	Fund NAV	+ 77.8	+ 20.1	+ 42.4	
	FT All-Share	+ 10.8	- 18.2	+ 10.8	
	Relative	+ 67.0 %	+ 21.3 %	+ 31.6 %	

*After all fees, bid-to-bid with dividends reinvested. FT All-Share TR index.

On a practical note, once the final proceeds from redemption have been distributed to investors the company will be closed but arrangements will be made for any issues or enquiries which arise after the year end. The website of the Fund will be kept as an archive for the performance and history of the Fund at www.sceptrefunds.co.uk and up-to-date contact details will be available from this source.