SCEPTRE

INVESTMENT MANAGEMENT

10 Pottery Lane, London, W11 4LZ

0207-727-7644

The fund aims to achieve excellent long-term investment returns by investing in undervalued listed European equities with a specific focus on the UK.

Chris Broadhurst, Fund Manager
Luke Howard Taylor

Half-Year ended 30 June 2009
Sceptre UK Fund

Fellow Shareholders:

In the first half of 2009 the net asset value of the Sceptre UK Fund increased 41.3% to £1,037.42 whilst the FTSE All-share index (TR) was up 0.8%. This result has come from strong performances across the portfolio and we remain confident about the markets undervaluation of the businesses we are invested in. In January we sent out our annual summary and made the observation that *'This is definitely the best environment for equity investment that we have seen in our careers'.* The strong performance since then has been driven by our commitment to stay fully invested and increase our weightings in those companies trading at the greatest discounts to what we appraised their fair value to be. The Fund made its low in November last year and has appreciated some 74% since then.

We currently have 16 holdings in the fund, having sold 4 holdings and established new positions in 5 companies. The depths which the market reached during the first half of the year gave us some excellent opportunities to establish stakes in high-quality businesses at significant discounts to their long-term value. At the same time we used this period to exit holdings which no longer offered as great an upside, either through change of investment case or resilience of valuation. We cannot be assured of making a return on every investment we make, but our disciplined value approach means that our realised losses have been limited, and the proceeds have been re-invested into quality businesses which were trading at lower valuations than available for many, many years – if ever.

As we have said before we do not spend a great deal of our workday studying macroeconomic factors. Our portfolio is always constructed from the bottom-up – finding quality businesses that we would like to own, being mindful that the stock market from time-to-time offers us these businesses at a significant discount to what a long-term owner would consider a fair price. In the last two years the pendulum has swung very far, from the summer of 2007 where we couldn't find enough value to put our 22% cash balances in, to last November when others were desperately liquidating and we were fully invested and averaging down our cost in businesses which were thrown out with the bathwater.

Performance Summary

Year	NAV	Cumulative	FT All-Share	Cumulative	**Relative over Period**
YTD 2009	+ 41.3 %	+ 2.0 %	+ 0.8 %	- 9.4 %	**+ 40.5 %**
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**
2005*	+ 7.8	+ 7.8	+ 4.2	+ 4.2	**+ 3.6**
Total Annual Compounded Rate*		+ 0.5		- 2.6	**+ 3.1**

Total Return	1 Year	3 Years	Inception*
Fund NAV	+ 13.5	- 8.5	+ 2.0
FT All-Share	- 20.5	- 18.2	- 9.4
Relative	**+ 34.0 %**	**+ 9.7 %**	**+ 11.4 %**

* from 30 September 2005. After all fees, bid-to-bid with dividends reinvested. FT All-Share TR index.

The last 2 years has been a very difficult time for equity investors of any stripe, but especially amongst some of the 'value' managers that we follow. There are many funds which purport to follow a value discipline who do nothing of the sort, but even amongst genuine managers with long-term track records of success, the recent past has tripped up many investors. We have always strived to keep our investments within our circle of competence and it seems that many of the recent high-profile blow-ups in the value world have come from managers who perhaps moved too heavily into sectors they were not as comfortable with. In particular, those yield-seeking investors who were early buyers of bank stocks.

We have recently moved to a new office, the address of which you will see at the top of the letter and with our new telephone number also shown – whilst other contact details, e-mail and website address, remain as before. The additional space will give us the opportunity to take on one or two more analysts over the next couple of years and also for our physical storage of company data and archives.

Portfolio of the Sceptre UK Fund at 30 June 2009

% Holding	30 Jun 2009	31 Dec 2008	Line of Business
Travis Perkins	19.3	16.1	DIY & builders merchant
JD Wetherspoon	12.8	15.9	Managed pub company
Inchcape	12.1	7.4	International car dealerships
Ashtead	9.1	3.7	Industrial rental equipment
ASML	8.8	11.6	Semiconductor manufacturing equipment
Nokia	5.3	5.9	Mobile phone manufacturer
Diploma	4.6	4.4	International parts supplier/distributor
Costain	4.4	4.9	Engineering contractor
British Airways	3.5	7.1	Commercial airline
Millenium & Copthorne	3.1	-	International hotel group
Lancashire Holdings	3.0	-	Short-tail insurance company
Collins Stewart	2.9	3.4	Stockbroker & corporate finance house
Spectris	2.8	-	Precision instruments and controls
Renishaw	2.6	-	Measurement and calibration manufacturer
Ideal Shopping Direct	2.5	1.4	TV shopping channel
Severfield-Rowen	2.2	-	Largest UK structural steel fabricator
Cash Reserves	0.8	-	
	100.0	81.8	

Considerations on the size, fees and performance of the fund

It is not sufficient to identify and invest in excellent companies at good prices to achieve the performance that we seek to deliver to shareholders. We concentrate the assets of the fund into a much smaller number of securities than the typical investment fund. We also invest in a range of different sized companies; giving very little consideration to whether we are overweight the FTSE250 or SmallCap for example, our focus is ultimately on the discount at which a specific company trades to its intrinsic value. We do not consider that a smaller company is riskier than a larger company per se; we acknowledge and build into our valuations on a case-by-case basis the drawbacks of a lower credit rating or smaller number of customers for example. Market risk (or volatility) we see more as an opportunity than a factor affecting valuation, consistent with our belief that in the short-term the stock market is not efficient and is influenced by crowd mentality. However, from a liquidity perspective we are mindful of the size of positions which we can comfortably take in smaller capitalised companies, for this reason we have limited the size of the fund, after which point we will close to new investors. This will ensure that the performance of the fund is not sacrificed for the sake of accumulating assets under management. The performance fee structure of the fund aligns our interests; our reward comes from outperforming, not simply from in-line performance with a bigger pool of assets. We also have the majority of our own capital in the fund and investors can be confident that investment decisions are made with security of capital and maximisation of return as the overriding considerations.

Our trading activities are simple and infrequent; the fund is un-leveraged and has no restrictions on the proportion of cash that it may hold, although this will only rarely be a significant portion of assets. We principally invest directly in common stock, unless there is some significant anomaly which makes another form of security preferable (such as a preference share or convertible). We seek to maintain long-term holdings in the excellent businesses that we identify and aim not to ‘trade’ around these positions, we increase and reduce the weighting of a particular company in the portfolio based on upside to our assessment of its intrinsic value or if there are exceptional events which present short-term uncertainties. The maximum position size we would increase an individual company to is 20% of assets, although this would have to be an exceptional opportunity.

Communication with shareholders

Along with this interim summary letter to shareholders we publish monthly updates which are available electronically to all shareholders who wish to receive them. We also maintain a website, which has an archive of the monthly investor updates and a summary of the funds performance and strategy. On a monthly or quarterly basis the vicissitudes of stock market will have a much greater effect on the NAV of the fund, but over a medium to long term horizon we expect our performance to more accurately reflect the advantages of our strategy. We calculate an estimate of the net asset value on a daily basis and publish this figure, for convenience, on the website. The official independent net asset value is agreed at the end of each month with the funds administrator and at the end of each month the fund will accept subscriptions and redemptions from investors.

Performance details

The funds official inception was 2nd May 2005 with an NAV of £1,000 per share, during the period of May-September the fund held large cash balances and establishment of the portfolio caused exceptional dealing costs which do not reflect the normal level to which the fund will be exposed. The NAV performance data is from the 30 September 2005 when the NAV was £1,017.56. The first external investors in the Fund subscribed in October 2005.