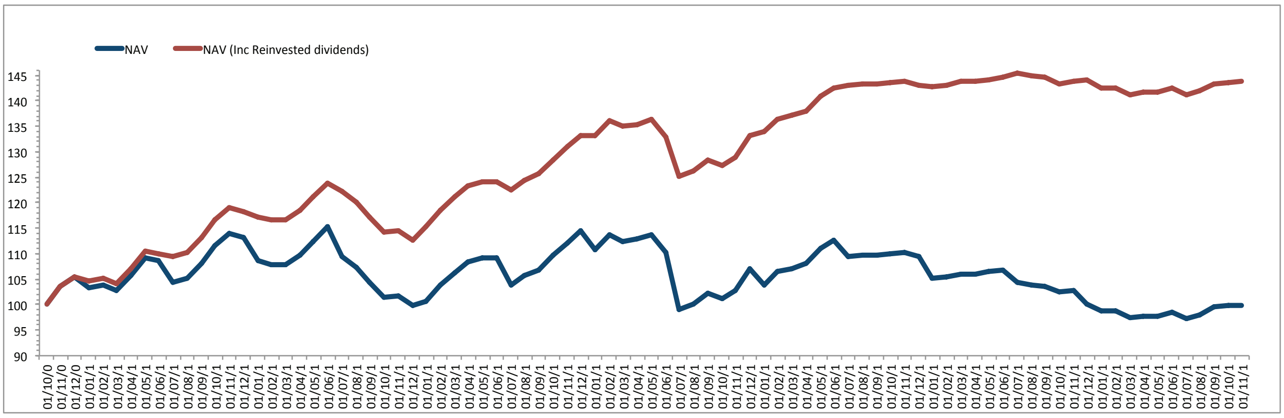
GUARDIAN MANAGERS
LUXEMBOURG

The Investment Advisors Monthly Report - October 2016

The Permanent Income Fund

PERFORMANCE



HIGHLIGHTS

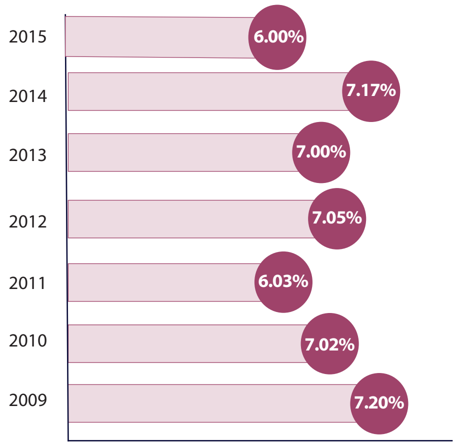
The NAV was more or less unchanged during the month of October despite what were some very uncertain developments in the UK and around the world.

Before coming onto Trump's election victory in the US but still on the subject of calamitous events, it is important to review the past month and the political and economic developments that will shape the UK investment horizons over the coming months.

In the UK, current economic data has been poor but not as poor as feared while economic forecasts continue to get worse and worse. For example inflation is expected to climb by 4% next year. Meanwhile the general level of political uncertainty is causing extreme anxiety. Just as this report is going to press a memo prepared for the cabinet office was leaked stating Theresa May's Government has no BREXIT plan and a poor understanding of what leaving the European Union means for industry and was struggling to cope.

The analysis contained in these reports and indeed in a large part of the market has always been predicated on the assumption that politicians and their political structures were responsible, sane and vaguely competent. Faced with a populist uprising it is something of a shock to see the chaos now apparent. This chaos has far reaching implications, especially when it comes

ANNUAL DIVIDEND TO INVESTORS



KEY DATA

NAV	99.87
NAV Inc Div	143.70
Portfolio Yield	6.07
Portfolio Duration (To Call)	4.19
Average Maturity (To Call)	8.20
Average Rating (Issuer)	A-

NAV (Inc Reinvested Dividends)

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
2009 - 2010	100	103.7	105.43	104.69	105.12	104.19	106.93	110.47	109.95	109.48	110.16	113.16
2010 - 2011	116.63	118.99	118.21	117.31	116.54	116.57	118.47	121.15	123.97	122.27	119.99	117.09
2011 - 2012	114.15	114.48	112.53	115.37	118.37	121.17	123.22	123.98	124.13	122.52	124.44	125.65
2012 - 2013	128.35	130.96	133.21	133.23	136.13	134.93	135.31	136.35	132.89	125.13	126.31	128.47
2013 - 2014	127.3	128.88	133.22	133.95	136.43	137.04	138.02	140.98	142.61	143.04	143.35	143.25
2014- 2015	143.46	143.89	142.92	142.87	143.09	143.83	143.73	144.18	144.62	145.44	144.84	144.65
2015 - 2016	143.39	143.84	143.97	142.51	141.26	141.66	141.60	142.46	141.11	141.90	143.41	143.64
2015 - 2016	143.70											

to the financial markets.

In the UK government it very much seems like the knives are out. After the BREXIT vote was announced the BoE did what all sensible central banks do and promised to do whatever it takes to support the UK economy. Backing this up they reduced interest rates by 50% and launched a huge new round of QE. In many ways this response by the BoE is the major reason why economic data since the BREXIT vote has been stronger than feared. This do whatever it takes mantra has been the backbone of the recovery in the markets since 2008. Yet in response the government of the UK has now started to attack the Bank. In the US Donald Trump has been very vocal in his criticism of Fed policy and has attacked Janet Yellen as being part of a global conspiracy who's purpose is to defraud the American public. This changes everything.

While also attacking the BoE, forces within May's government are also attacking the chancellor Phillip Hammond, one of the more sober and sensible voices at present who seems to see the dangers now present. Mr Hammond has been warned by Liam Fox, Secretary of State for International Trade, that he should not endorse the dire economic forecasts of his own treasury department that show the British economy crashing next year because they will cause people to 'panic'. According to Mr Fox "We need common sense, not hyperbole and panic. There's no reason to panic." Such is Mr Hammonds concern over the state of the British economy a anticipated £25 billion financial injection into infrastructure projects is expected during the autumn statement. Some ministers who voted for BREXIT argue the current data is not as bad as some Remainers scare mongered. This is certainly a fair assessment yet regarding todays economic numbers there is one very important thing to consider, BREXIT has not yet happened.

Looking over the Atlantic it should be fair comment that regardless of your political perspective the election of Mr Trump is very concerning economically. While it remains to be seen if campaign rhetoric matches reality (we expect it will), the markets are now expecting higher inflation and higher interest rates in the US combined with a period of economic nationalism. Like in the UK we also expect the independence of the Fed to come under immense pressure.

In this environment investors are faced with confusion. The recommendation of the Fund Manager is that back to basics fundamental investing in stable institutions like building societies, such as the Fund remains a sensible option.

Sat in our portfolio is a collection of high quality as well as high yield bonds, institutions that have extremely well capitalised balance sheets that are financially and socially responsible and are the bedrock of the UK housing market and indeed the economy.

FUND FACTS	
Fund Objective	To achieve an attractive, stable, rate of return through investing in a diversified portfolio of Building Society debt instruments
Target Return	7-9% Net p.a Distributed
Inception Date	Sep-09
Dealing Frequency	Monthly
Distributing Income	Semi - Anually
ISIN Code	LU0444311145
Leverage Used	None
Base Currency	UK Sterling (£)
Minimum Investment	Sterling Equivalent of £125,000
Redemption Fee	None
Total Expense Ratio	Target 2.00%
Fund Manager	Guardian Manager's S.a.r.L
Administrator and Transfer Agent	Carey Luxembourg
Custodian	RBS - Global Banking (Luxembourg)
Auditor	Grant Thornton Lux Audit S.A.

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The Product: GBP Sterling-denominated fund investing in UK building societies

The PI Fund seeks to deliver a superior risk-weighted return to investors on a semi-annual net basis by investing in the debt securities of UK building societies. The existing basket of securities that the Fund will invest in is predominantly deferred shares, which confer the holder with a 'permanent' right to the receipt of a predetermined rate of income, typically between 8-10% return before expenses.

Past performances is not a guide to future returns. The value of investments and income from them may go down as well as up and you may not get back the amount invested.

DISCLAIMER