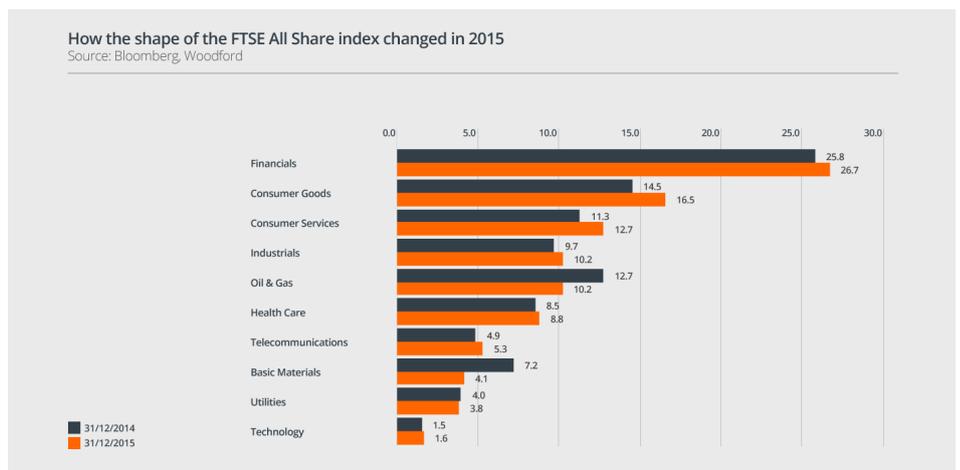


The views expressed in this article are those of the author at the date of publication and not necessarily those of Woodford Investment Management Ltd.



I'm in the process of writing the annual reports for the CF Woodford Equity Income Fund and Woodford Patient Capital Trust and this has involved analysing all sorts of data on performance, contribution, index changes etc. I thought I'd share some of the key findings with you here, given 2015 is just behind us and the annual reports aren't due to be published for several weeks.

One of the first things that struck me about 2015 is how much the shape of the index has changed over the course of the year. As a result of the continued falls in commodity prices, the size of resource-related industries within the index has reduced. The oil & gas industry, for example, accounted for 12.7% of the FTSE All Share index at the start of 2015 but this had reduced to 10.2% by the end of the year. Similarly, the basic materials industry, which includes the mining sector, has shrunk from 7.2% of the index at the start of the year but accounted for just 4.1% of the index by the end of 2015. Five years ago, these sectors accounted for over 30% of the FTSE All Share index – now it's less than half that level at 14.3%.



With all the turmoil in commodity-related areas of the market, the FTSE All Share index fell slightly in price terms in 2015, posting a modestly positive total return by virtue of reinvested dividends. Not all areas of the market fell, however. As the chart above shows, the financials and consumer goods industries both ended the year accounting for a larger chunk of the index than they had started it. The table below shows the top 5 and bottom 5 contributors to index performance in 2015 in terms of total return.

Stock	Average weight (%)	Contribution to index (%)	Total return (%)
Imperial Tobacco	1.50	+0.44	+34.01
British American Tobacco	3.24	+0.39	+12.22
SABMiller	1.61	+0.38	+23.63
Reckitt Benckiser	1.79	+0.37	+23.17
BT	1.78	+0.32	+20.81
BHP Billiton	1.24	-0.46	-37.32
Rio Tinto	1.55	-0.53	-30.40
Anglo American	0.53	-0.54	-73.51
Glencore	1.08	-1.03	-67.85
Royal Dutch Shell (A & B)	5.65	-1.60	-25.09

Source: Northern Trust based on 2015 calendar year returns.

Turning to the [CF Woodford Equity Income Fund](#), our strategy has favoured stocks with the dependable characteristics that dominate the best performing index stocks of the year and we have avoided many of the stocks that are among the worst performers. Clearly, we didn't back all the winners or avoid all of the losers but, overall, our strategy has delivered a successful outcome for the year as a whole, as the numbers below demonstrate. We must reiterate that it is too short a time period over which to be judging the success or otherwise of an investment strategy with a much longer investment horizon but nevertheless, it's good to get off to a positive start.

	2015	Since inception (19 June 2014)
CF Woodford Equity Income Fund (C Acc)	+16.19	+24.22
FTSE All Share Index	+0.98	-0.15

	31/12/2010	31/12/2011	31/12/2012	31/12/2013	31/12/2014
CF Woodford Equity Income C Acc	-	-	-	-	+16.19
FTSE All Share Index	-3.46	+12.30	+20.81	+1.18	+0.98

Past performance cannot be relied upon as a guide to future performance.  
Source: Morningstar on a total return basis.

Last July, we took the decision to disclose the CF Woodford Equity Income Fund's contribution analysis because we believe that investors have the right to know what is influencing the fund's performance – what has worked and what has not worked, at a stock-by-stock level.

So, in terms of contribution, the table below shows the key stock contributions to the fund's 2015 performance. What is clear from these stats is the outperformance has been driven in part by our holdings in core index stocks such as Imperial Tobacco and BT, which were both key positive contributors to index performance. Also noteworthy is the contribution from non-index holdings such as US tobacco business Reynolds American and earlier-stage investment opportunities such as Prothena and the unquoted Stratified Medical.

We have written previously about the fund's high 'active share' – a metric that measures how actively managed a fund is – and in 2015, the fund's non-benchmark exposure has clearly added value. In particular, the contribution from some of our earlier-stage investments is pleasing, as it can often take several years for operational progress to be meaningfully reflected in valuations. The early successes we have seen are encouraging therefore, and we believe this bodes extremely well for the future. Overall, we believe the performance numbers above represent a strong endorsement of truly active fund management.

Stock	Average weight (%)	Contribution to fund (%)	Total return (%)
Stratified Medical (unquoted)	1.38	+2.86	+490.79
Prothena	1.93	+2.31	+249.24
Imperial Tobacco	7.01	+2.18	+33.20
Reynolds American	3.50	+1.74	+56.23
BT	4.52	+0.99	+20.59
Northwest Biotherapeutics	0.88	-0.42	-36.60
Centrica	1.75	-0.47	—
Drax	1.08	-0.67	-45.13
Game Digital	1.04	-0.75	-59.20
Rolls-Royce	2.17	-0.88	-36.54

Source: Northern Trust based on 2015 calendar year returns.

As for the [Woodford Patient Capital Trust](#) which launched in April last year, unfortunately, regulation prohibits us from discussing the specifics of its performance because it hasn't passed its first anniversary yet. Broadly speaking, however, there have been some early successes (the trust also has positions in Stratified Medical and Prothena, for example) but, with a substantial exposure towards the health care industry, it has also been impacted by the deterioration in sentiment towards the US biotechnology sector. This has weighed on the performance of many early-stage health care businesses listed in the UK too, despite the fact that valuations on this side of the Atlantic are typically much more attractive.

It's important to remind investors of the very long-term nature of the Woodford Patient Capital Trust. We remain extremely confident in the long-term investment opportunity here, which is underpinned by the solid operational progress being made by many of our investee companies which isn't yet reflected in valuations. If anything, this allows even more confidence in the investment opportunity now than we had at launch.

Looking forward into 2016, we expect a difficult year for risk assets. Over the course of last year, markets have moved to reflect a more cautious view of the global economic outlook and now appear to take some of the risks that have concerned us for several years, much more seriously. At the same time, however, we have been becoming more cautious in our assessment of the global economic environment. As such, we do not believe a significant change to our investment strategy is warranted at this time. The shape of the portfolios remains well-suited to these conditions.

We continue to favour investment in attractively valued, dependable growth opportunities which are capable of delivering growth even in the difficult macroeconomic environment that we foresee. Meanwhile, the fortunes of our earlier-stage companies with considerable long-term growth potential will be largely determined by their own progress, not by macroeconomic factors. On balance, therefore, we remain confident in our ability to continue to deliver attractively positive long-term returns to investors.

This year is shaping up to be a tough one for equity markets but we view the future with confidence.

Performance contributions are calculated on a total return basis, including the impact of intra-period trading, gross of fees in sterling using closing prices. Stock returns can only be calculated where the position has been held by for the full period.

Past performance is not a guide to future returns. This data is provided for information purposes only and should not be reproduced, published or disseminated in any manner. Care is taken in ensuring this is accurate as at the stated date. However, this is not guaranteed, and the portfolio may change at any time. This does not constitute investment advice or any recommendation with regard to the listed stocks.

#### What are the risks?

- The value of the fund and any income from it may go down as well as up, so you may get back less than you invested
- Past performance cannot be relied upon as a guide to future performance

Mitchell Fraser-Jones, 8 January 2016

- The ongoing charges figure is charged to capital, so the income of the fund may be higher but capital growth may be restricted or capital may be eroded
- The fund may invest in other transferable securities, money market instruments, warrants, collective investment schemes and deposits – some of these security types could increase the fund's volatility and increase the level of indirect charges to which the fund is exposed
- The fund may invest in overseas securities and be exposed to currencies other than pound sterling – as a result, exchange rate movements may cause the sterling value of investments to decrease or increase
- The fund may invest in unquoted securities, which may be less liquid and more difficult to value, because they are generally not publicly traded – the lack of an open market may also make it more difficult to establish fair value

#### Important information

Before investing, you should read the Key Investor Information Document (KIID) for the fund, and the Prospectus which, along with our terms and conditions, can be obtained from the [downloads page](#) or from our registered office. If you have a financial adviser, you should seek their advice before investing. Woodford Investment Management Ltd is not authorised to provide investment advice.

The Woodford Funds (Ireland) ICAV (the "Fund") has appointed as Swiss Representative Oligo Swiss Fund Services SA, Av. Villamont 17, 1005 Lausanne, Switzerland. The Fund's Swiss paying agent is Neue Helvetische Bank AG. All fund documentation including, Prospectus, Key Investor Information Documents, Instrument of Incorporation and financial reports may be obtained free of charge from the Swiss Representative in Lausanne. The place of performance and jurisdiction for all shares distributed in or from Switzerland is at the registered office of the Swiss Representative. Fund prices can be found at [www.fundinfo.com](http://www.fundinfo.com).

Woodford Investment Management Ltd is authorised and regulated by the Financial Conduct Authority (firm reference number 745433). Incorporated in England and Wales, company number 10118169. Registered address 9400 Garsington Road, Oxford OX4 2HN.

Woodford Patient Capital Trust plc is incorporated in England and Wales, company number 09405653. Registered as an investment company under section 833 of the Companies Act 2006. Registered address Beaufort House, 51 New North Road, Exeter, EX4 4EP.

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