

Fund objective

The Fund is designed for long term investors who wish to build capital over a number of years through investment in a focused portfolio of global companies.

Fund Information

Fund Managers

Andy Headley,
Charles Richardson.

Fund Size

£252.2m

NAV per share

£13.29

Launch price

£10.00

Dividend payment

Annually (September)

Inception date

03 Jan 2006

Sedol

B0WFLB0

ISIN

IE00B0WFLB07

Index

MSCI World Index
(net dividends reinvested)

Sector

LGC - Global Equity

Domicile

Ireland

Structure

ICVC

Tax status

UK Distributor Status

Dealing

Daily by 4.30 p.m.

Management fee (%)

0.75 (institutional A Class - closed to new business)
1.00 (institutional B Class)
1.50 (retail)

Custodian

HSBC Institutional Trust Services (Ireland) Ltd

Administrator

HSBC Securities Services (Ireland) Ltd

Manager

Veritas Asset Management (UK) Ltd

Independent Fund Rating



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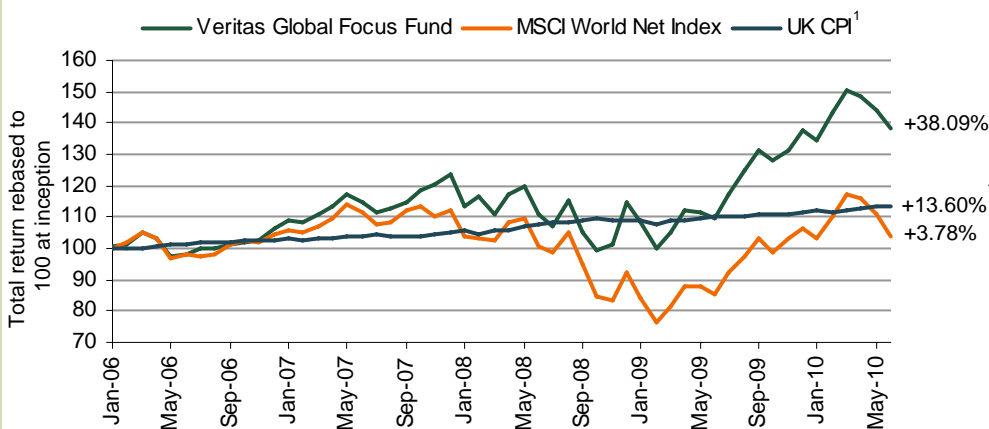
**Authorised and Regulated by the
Financial Services Authority**

**Veritas Global Focus Fund
(GBP Retail Class)**

Q2 2010

Cumulative total performance to 30th June 2010

	VGFF	Index	UK CPI ¹	Sector	1m LIBOR USD
Quarter 2 2010	-8.22%	-11.45%	1.33%	-10.97%	0.14%
Year to Date	0.45%	-2.68%	2.14%	-3.22%	0.27%
1 Year	25.93%	21.31%	3.34%	20.06%	0.53%
3 Years	20.08%	-6.93%	9.16%	-6.68%	9.79%
Since Inception	38.09%	3.78%	13.60%	5.98%	18.28%

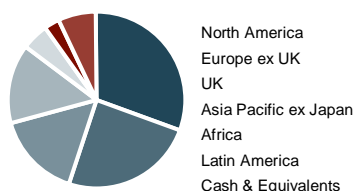


1. All UK CPI data is to 31st May 2010.

Historical performance (total returns, including dividends reinvested, net of fees and expenses)

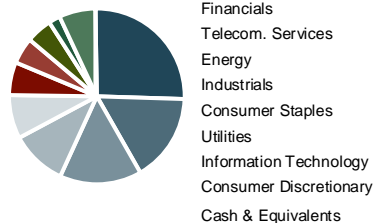
Year to end:	Jun-10	Jun-09	Jun-08	Jun-07	Jun-06
Fund:	25.93	-1.05	-3.63	16.98	-
MSCI World £ Index:	21.31	-14.80	-9.95	13.93	-

The above figures refer to the past and past performance is not a reliable indicator of future results. Returns may increase or decrease as a result of currency fluctuations.



Top 10 Holdings

Vodafone	4.6%
Roche	4.5%
Merck & Co.	4.4%
Fresenius Medical Care	4.3%
CVS/Caremark	3.7%
Telstra Corp	3.7%
UnitedHealth Group	3.7%
GlaxoSmithKline	3.5%
UBS	3.1%
Microsoft	3.0%



Risk profile since inception

	VGFF	Index
Standard deviation:	15.5	17.0
Annualized Sharpe:	0.2	-0.2
Annualized Sortino:	0.4	-0.3
Beta:	0.8	1
Number of holdings:	37	n/a

Source: Veritas Asset Management

Important Information

If you are in doubt about the suitability of this fund you should seek advice from your Investment Advisor. This document constitutes neither to sell nor solicitation to purchase securities in Veritas Global Focus Fund USD Institutional A (a sub-fund of Veritas funds plc). Such an offer may only be made via an official application form which should be read in conjunction with the prospectus and may be obtained from the offices of the Administrator HSBC Securities Services (Ireland) Ltd, 00 353 (1) 635 6799. The minimum initial subscription for the Institutional Share Class A is \$50,000 / £30,000 / €50,000 and the subsequent investment is \$25,000 / £15,000 / €25,000. For the Retail Share Class, the minimal initial and subsequent investment is \$15,000 / £7,000 / €15,000.

a) Walking a Tightrope

The global economy is as unsustainable today as it was at the height of the credit super-bubble in 2007. Developed country governments are running excessively large budget deficits as a result of the vast private to public debt swap that has occurred. Overall debt including public debt remains too high and needs to be reduced as a proportion of GDP. This reduction in overall debt levels will be painful and prolonged even if it is successful: debt deleveraging takes time. Unfortunately, the chances of a smooth and successful deleveraging are remote. The journey is akin to walking a tightrope suspended over a deep chasm: the prize should we reach the other side is a more balanced global economy with lower debt as a proportion of GDP and more balanced consumption and production around the world. However to make a successful crossing will require many things falling into place including increased collaboration between nations and an end to politicians acting in self interest. Given such requirements it may be wisest to plan for a bumpy ride and probable failure.

What needs to go right for us to reach the other side? Most obviously government budget deficits need to be reduced but clearly not at the expense of creating another major recession. Most developed market government spending is running at around 50% of GDP but Government revenues are typically capped at around 40% of GDP (hence the approximate 10% budget deficits we are witnessing in the US, UK, Spain, Portugal etc ...). Governments need to make a choice as to whether they tackle budget deficits now (as in the UK) or whether it is better to let them continue for a period to try and kick start the economy (as in the US). Neither approach is without risk. Immediate fiscal consolidation runs the risk of lower employment and higher taxes reducing aggregate demand and forcing the economy into a new recession at a time when the tools required to respond to a recession are broken. Delayed fiscal consolidation runs the risk of countries becoming perceived as insolvent and the effect of the market then treating them as such (currency collapse and forced interest rate rises). Increased deficit spending as promoted by certain governments simply adds to the problem, heightening the risk of inflation.

In this environment, policy matters. Most politicians will opt for delaying fiscal consolidation (unless they have been newly elected and can therefore lay the blame for austerity measures at the feet of the previous government, as in the UK). Delayed fiscal consolidation always seems the least painful option as until the market reacts negatively there appears to be no downside from more and more borrowing and spending. Unfortunately, it is unclear at what level of public debt to GDP the market "reacts". In their excellent book "This Time is Different: 8 Centuries of Financial Folly" professors Reinhart and Rogoff show that when public debt increases above 90% of GDP it results in lower GDP growth but there is no hard and fast rule as to when markets take fright and refuse to lend to the country in question. The process is clearly not linear – debt can be increased for a while and nothing happens. At some point though an invisible line is crossed and all of a sudden a cascade of downturns, deficits, more debt and downgrades results, perhaps even leading to default. This has to a large extent already occurred in the case of Greece but there is no reason why it will not happen elsewhere should government profligacy continue.

b) Implications for the fund

High and sustained deficit spending can lead to fiscal insolvency which has historically been the catalyst for monetary debasement. Over time more money (created by the printing presses) chasing the same amount of goods can only lead to one outcome: inflation. The actions of monetary authorities over the past 2 years have heightened the potential for inflation in the years to come. Therefore unless central bankers undergo a "Damascene conversion" and hastily remove all the excess liquidity they have injected before inflation takes hold it would seem worthwhile to at least plan for the possibility of higher inflation. In this light, one of our high conviction themes remains Scarcity and Supply Constraint which seeks investments that own scarce or irreplaceable assets (at least from an economic perspective). Using this theme as a filter we have managed to find a number of investments which we assess as having substantial pricing power in the event of inflation as a consequence of their scarce assets. Furthermore, some of these companies are available at attractive current valuations despite the inherent inflation protection that they afford.

One such example is a new addition to the portfolio over the quarter, Transdigm. This US company is a leading global designer, producer and supplier of highly engineered aircraft components for use on nearly all commercial and military aircraft in service today. The company's thousands of different components are designed into and sold as original aircraft equipment, and the company then generates recurring aftermarket revenue over the lives of the aircraft, which average about 30 years. Approximately 60% of revenues are generated from aftermarket sales, which are made at extremely high margins. Such high margins are a result of more than 95% of sales coming from proprietary products for which Transdigm owns the design and around 80% of sales coming from products for which Transdigm is the sole source supplier. Stringent and costly regulation and certification requirements and the vast number of proprietary products produced by Transdigm create substantial barriers to entry. In addition Transdigm's excellence in engineering together with its high levels of customer service have led to the company gaining a greater shipset value in new aircraft platforms such as the Airbus A380 and Boeing 787. This will lead to future profit growth as the components supplied are purchased in the aftermarket. Transdigm typically increase prices by between 4% and 7% annually as a result of their exceptionally strong position in the niche component markets in which they operate.

c) Longer term perspective

In the previous quarterly report we noted that while an economic recovery was underway, it would likely prove to be anaemic overall but volatile due to the interaction of strong but opposing forces. This conclusion was borne out in the most recent quarter when most economic data came in weaker than anticipated and equity markets took a turn south falling by 11.4% (MSCI World in GBP) after their rise in the first quarter. As we have previously noted, due to the Veritas Real Return Approach being grounded in applying absolute valuation techniques to good quality cash generative companies, we have a pattern of outperforming in declining markets. This was evidenced in the most recent quarter with the fund declining by 8.2% (vs. -11.4% for the MSCI World) and up 0.5% for the first half of 2010 (vs. -2.7% for MSCI World). We are also showing absolute returns of 38.1% over a more reasonable investment horizon of four and a half years – the Fund's lifetime (vs. +3.8% for MSCI World).

Our performance of the first half has been affected by the disappointing performance of our BP investment during the period. Our analysis of BP subsequent to the oil spill and marked share price decline is that on the balance of probabilities BP represents a cheap investment with an attractive expected total return over our investment horizon. Clearly in the short term PR, speculation and sentiment will have a substantial impact on the share price of the company but over the longer term we believe that the value inherent in the company's resources, assets and market positions will be realised and consequently we are maintaining our position although we are continually assessing the situation and are using external advice including discussions with legal experts when appropriate.

In the same sector as BP but on a more positive note, our holding in CNOOC the Chinese oil exploration and production company performed well, rising by almost 6% in the quarter and by over 10% for the half year. Furthermore, the performance of our holdings in Singaporean Real Estate Investment Trusts (REITs) performed well with notable performance from CapitaCommercial REIT which appreciated more than 13% in the quarter.

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