ConBrio Sanford DeLand UK Buffettology

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ConBrio

THE SPIRIT OF INVESTMENT

| Fund Strategy |

The Fund Manager's investment methodology is based upon the principle of Business Perspective Investing. We also run a concentrated portfolio of investments and try to keep portfolio turnover down. Companies selected for investment consideration must exhibit several important criteria:

- Comprehensible business model;
- Transparent financial statements;
- Enduring franchise with pricing power;
- Consistent operational performance with relatively predictable earnings;
- High returns on capital employed;
- Strong free cash flow;
- Strong balance sheet;
- Management focused on delivering shareholder value; and
- No undue reliance on acquisition-led growth.

| Fund Objectives |

To achieve an annual compounding rate of return over the long term which is superior to the performance of the UK stock market.

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Money Observer Fund Awards 2015 Best smaller UK growth fund ConBrio Sanford DeLand UK Buffettology

Investors Chronicle Top 100 Funds 2015 Sanford DeLand Asset Management Ltd

Money Observer Rated Fund 2016

Performance Record

| Key Facts |

Fund Size:	£40.5m
Launch Date:	28 March 2011
Sector:	IA UK All Companies

| Top 10 Holdings |

	%
Cash	12.74
Scapa Group	5.40
Trifast	4.71
Bioventix	4.47
NCC	4.41
Dart Group	3.90
Mattoli Woods	3.88
AB Dynamics	3.82
Domino's Pizza	3.64
Dechra Pharma	3.50
TOTAL	**50.47**

| Asset Allocation |

	%
Cash/Other	15.1
Financials	14.9
Travel & Leisure	12.9
Industrial Engineering	10.9
Chemicals	10.8
Support Services	10.4
Pharmaceuticals & Biotechnology	10.1
Food & Beverages	4.5
Software & Computer Services	4.4
Construction & Materials	3.1
Retailers	2.9

Discrete Annual Performance (%)

Share Type	2016(YTD)	2015	2014	2013	2012
Income	-2.3	27.2	1.5	36.0	34.2

Discrete Annual Performance to Quarter End 31 March 2016 (%)

Share Type	31/03/2015 31/03/2016	31/03/2014 31/03/2015	31/03/2013 31/03/2014	31/03/2012 31/03/2013	31/03/2011 31/03/2012
Income	17.4	5.0	22.8	30.5	0.1

Cumulative Performance to 30 April 2016 (%)

Share Type	3 Months	6 Months	1 Year	3 Years	5 Years
Income	3.9	2.8	16.0	53.7	98.4
Official Sector	4.4	-0.6	-3.6	18.4	36.5

Performance quoted on a total return, bid to bid, UK sterling basis. Past performance is not a guide to the future. The price of units and shares and the income from them may go down as well as up and you may get back less than you invested.

Source: Financial Express. 25/05/2016

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Fund developments and comments

Keith Ashworth-Lord, Investment Director & Fund Manager, Sanford DeLand

I am reproducing here an article that I wrote for Yahoo Finance entitled 'What UK Investors can learn from Warren Buffett'. It was posted to coincide with Yahoo's streaming of the 2016 Berkshire Hathaway AGM.

Buffett tells us that it is the companies we keep that enable us to get rich slowly, not the stock market. Therefore switch off all the noise of markets, forecasters and pundits and focus whole-heartedly on those businesses you want to own. Ask yourself "would I be happy to buy the entire business and invest all my family's wealth in this single enterprise?" If not, you should not be contemplating buying a part-interest in it.

In selecting businesses for Berkshire to own outright or marketable securities for the investment portfolio, Buffett looks for an "economic moat". What this means is a large barrier to entry. Capitalism works; in order to generate above average returns over a long period of time, something has to stand in the way of rivals competing away the excess returns to the cost of capital. Typically this will be the skill sets of the workforce, the power of brands that capture a piece of their customers' minds or some intellectual property rights or technology that have patent or other protection around them. These confer that crucial ingredient, pricing power. Buffett warns us never to stray from our circle of competence. If you cannot understand the business model, how the enterprise makes its money, the competitive landscape and whether the earnings power is strong and getting better or weak and getting worse, don't go near it. You want to be able to see where the business will be in five, ten or 20 years' time. Also he warns us to invest in businesses that even a fool can run, because one day a fool will be running it.

In deciding at what price to invest, Buffett has learned from Charlie Munger. Far better to pay a fair price for a wonderful business than a wonderful price for a fair business. But all the time, he implores us to pay less in market price than we are receiving in economic value. This is Ben Graham's famous 'margin of safety' and it protects you from poor decisions and downturns in the market. He also advises us to watch for abnormal events, saying "great investment opportunities come around when excellent companies are surrounded by unusual circumstances that cause the stock to be misappraised". In deciding what a business is worth, Buffett focuses on how much cash is likely to come out of it between now and Judgement Day, bringing it back to a present value by using an appropriate discount rate. And he professes not to care from what activity the cash comes. Once distributable, all cash spends the same. Being convinced that there is a copper-bottomed investment opportunity, he advises us to bet big and not worry about diversification.

Buffett says his preferred holding period for an investment is "forever". You should always be investing for the long haul. Let the operating results of the company influence your judgement of how successful the investment has been, not the share price. In the long-term, there is a 100% correlation between the success of a business and its stock. Resist the temptation to be constantly checking the share prices of your investments. He summed up his investment philosophy in just a few words: "Stocks are simple. All you do is buy shares in a great business for less than the business is intrinsically worth, with managers of the highest integrity and ability. Then you own those shares forever." Therein lies a lesson for us all.

In April, the Fund share price rose by 1.8% from 196.29p to 199.91p. There were 16 risers led by AB Dynamics +15.9%, Scapa +15.0%, RWS +14.1%, Air Partner +12.8% and A.G. Barr +11.9%. The biggest faller was Victrex -16.0% on poorly received news of the settlement with the US FTC centred on Invibio sales. Following weeks of research, I decided to invest in Restaurant Group. This owner of the Frankie & Benny's and Chiquito restaurant chains has seen its share price fall from over 720p to under 275p in six months following three profit warnings. It generates a 20% return on equity, converts over 100% of accounting earnings into cash earnings, has £108m of freehold properties and only a small amount of debt. Many times I have seen a similar business stumble only to be snapped up by private equity (e.g. Pizza Express and Carluccio's). If management is incapable of reinvigorating the offering, I expect a similar outcome here.

Fund Information

Initial Charge	General & Institutional 0%
Investment Adviser Fee	General 1.5%pa & Institutional 1%
Annual Management Charge	Combined ACD & Admin fee 0.2%pa (min £45,000pa)
Accounting Dates	28 February, 31 August
Payment Dates	27 May, 27 November
Valuation Point	12 noon, daily
Sedol Code	General Inc: B3QQFJ6 Institutional Inc: BKJ9C67
Share Class	General Income & Institutional Income Shares
Published Price	www.theconbriofunds.co.uk
Min. Investment	General £500, £50pm & Institutional £250,000
ISA eligible	Yes, stocks & shares

Investment Team

I Sanford DeLand Asset Management Ltd I

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