October 2014

ConBrio Sanford DeLand UK Buffettology

ConBrio OEIC

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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FE CROWN FUND RATING

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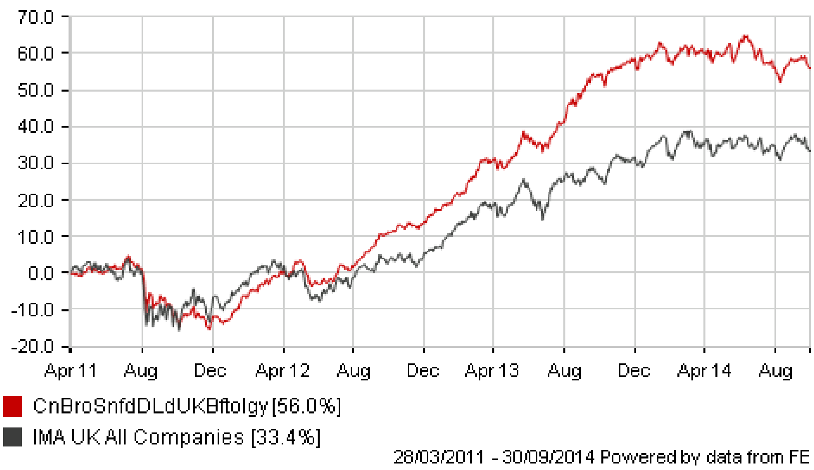
Performance Record



| Key Facts |

Fund Size:	£17.8m
Launch Date:	28 March 2011
Sector:	IMA UK All Companies

| Top 10 Holdings |

	%
Cash	7.24
Driver Group	5.24
Trifast	5.20
Scapa	4.54
Dart Group	4.28
NCC	4.14
Mattioli Woods	3.87
International Personal Finance	3.83
Dixons Carphone	3.82
Lavendon	3.68
TOTAL	**45.84**

| Asset Allocation |

	%
Support Services	18.0
Financials	14.9
Cash/Other	13.2
Chemicals	12.9
Travel & Leisure	10.1
Industrial Engineering	8.3
Pharmaceuticals & Biotechnology	6.0
Food & Beverages	5.7
Software & Computer Services	4.1
Retailers	3.8
Leisure Goods	3.0

Discrete Annual Performance (%)

Share Type	2014(YTD)	2013	2012	2011	2010
Income	-2.2	36.0	34.2	-	-

Discrete Annual Performance to Quarter End 30 September 2014 (%)

Share Type	30/09/2013 30/09/2014	30/09/2012 30/09/2013	30/09/2011 30/09/2012	30/09/2010 30/09/2011	30/09/2009 30/09/2010
Income	1.4	38.7	26.8	-	-

Cumulative Performance to 30 September 2014 (%)

Share Type	3 Months	6 Months	1 Year	3 Years	5 Years
Income	-2.1	-2.7	1.4	78.5	-
Official Sector	-0.8	-1.4	6.0	52.7	62.1

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. 07/10/2014

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Fund developments and comments

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

During the month, Motivcom became our first company investment to fall to a takeover, in this case by Sodexo SA. Given that we will have made a total return of over 15% (£81k on a £532k investment), you might think I should be happy. I am not. At the end of June, Motivcom had warned on first half profitability, presenting this a timing issue. As a result, the share price fell by 20p on the day of the announcement to 115½p, down from a 12-month high of 174½p. I used the weakness to top-up our holding, buying at 121p in August because I believed that the troubles were capable of solution thus making the company worth considerably more on a medium-term timescale.

The recommended offer values the business at 148p per share and shareholders were told not to expect an interim dividend. As an owner, I looked at £3.9m of cash sat on the balance sheet at half-way and added the £2.9m proceeds for the sale of subsidiary Zibrant to its managing director. (Incidentally, the original business had been bought for £15m in 2007!) That left the equity being sold for £33.5m or 123p per share. I might have been happy to take 148p cash if it was on a cash-free, debt-free basis with the cash in the business plus the Zibrant proceeds distributed to we owners of Motivcom as part of the takeover process.

I enjoyed a frank discussion with management over all this and we agreed to disagree on the exit valuation. Management says that the £3.9m is needed for normal working capital requirements. It is also clear that it has been seeking for some time to split the group into its two component parts – Incentives & Loyalty Programmes and Meetings & Event Management – so that it could focus on the former. Zibrant, the latter, has been down on its uppers for some time and had just lost a major client. It seems that attempts to solicit third party interest for this business did not meet with much success. So in the circumstances you can see why this route was chosen to take Incentives & Loyalty to the next level. Even so, I would have preferred to see management tough it out to maximise shareholder value rather than accept a short-term exit.

Motivcom has large director shareholdings and has been able to line up irrevocable acceptances for nearly 79% of the shares in issue. Financially, the directors have done well out of this and will continue with the business as part of Sodexo. Though my resistance is futile, I still intend to vote our shares against the offer. The lesson to be learned is that a controlling management stake does not always equate with maximising long-term shareholder worth.

We are now nine months into 2014 and it is clear that investment conditions are very different from 2012 and 2013. One of the headwinds has been the strength of sterling. We have a number of businesses in the portfolio that derive substantial proportions (often a majority) of their earnings from overseas. The consequence of a stronger pound relative to overseas currencies is pressure on profits. Several of our investee companies have issued cautionary trading statements. More recently, the pressure has been magnified by recessionary conditions in continental Europe. Another headwind has been the rotation out of small and mid-cap companies into their larger brethren. Some see this as 'a flight to quality'; I don't. Many smaller companies have every bit as strong a franchise as larger ones, and smaller companies often possess superior growth prospects. A greater degree of profit taking was evident in companies that had enjoyed strong share price performances and re-ratings in earlier periods. We have a lot of these. For each headwind, the pendulum will surely swing back when we least expect it. What goes around comes around.

In September, the Fund share price fell by 1.6% from 158.17p to 155.69p. This was somewhat less than the 2.9% fall in the UK stock market. Motivcom was the best performer during the month, up by 20.0%. Driver, which put on 12.8%, was the other double-digit gainer. Seventeen of our 27 holdings fell, all by single digits. Based on its performance over three years, FE Trustnet placed UK Buffettology 26th out of the 265 funds in the IMA UK All Companies sector at the month-end.

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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