June 2014

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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Performance Record

| Key Facts |

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

| Top 10 Holdings |	**%**
Cash	8.19
Trifast	5.42
Driver Group	5.07
Dart Group	4.66
Scapa	4.38
Liontrust Asset Management	4.18
International Personal Finance	4.09
Mattioli Woods	3.88
Dixons	3.83
Lavendon	3.80
TOTAL	**47.5**

| Asset Allocation |	**%**
Support Services	17.1
Financials	15.7
Cash/Other	13.7
Chemicals	13.2
Travel & Leisure	10.7
Industrial Engineering	8.4
Food & Beverages	5.8
Pharmaceuticals & Biotechnology	5.2
Retailers	3.8
Software & Computer Services	3.4
Leisure Goods	3.0

Discrete Annual Performance (%)

Share Type	2014(YTD)	2013	2012	2011	2010
Income	2.4	36.0	34.2	-	-

Discrete Annual Performance to Quarter End 31 March 2014 (%)

Share Type	31/03/2013 31/03/2014	31/03/2012 31/03/2013	31/03/2011 31/03/2012	31/03/2010 31/03/2011	31/03/2009 31/03/2010
Income	22.8	30.5	0.1	-	-

Cumulative Performance to 31 May 2014 (%)

Share Type	3 Months	6 Months	1 Year	3 Years	5 Years
Income	0.9	2.9	20.2	62.7	-
Official Sector	-1.3	3.9	11.5	33.6	97.2

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. 23/06/2014

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Fund developments and comments

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

"I have seen no trend toward value investing in the 35 years I've practiced it. There seems to be some perverse human characteristic that likes to make easy things difficult." - Warren Buffett, Columbia University Lecture, 1984. Value investing is the craft of buying a $1 bill for much less than $1. To practice it successfully requires two things only. Firstly, you must have the knowledge to enable you to make a rough estimate about the intrinsic value of an underlying business. Secondly, you must have the intellectual rigour to ensure that you only buy into that business at substantially less than you believe it to be worth.

In 'The Theory of Investment Value' published in 1938, John Burr Williams defined the value of a stock, bond or business as being determined by the cash inflows and outflows – discounted at an appropriate interest rate – that can be expected to occur during the remaining life of the asset. The art of investment therefore is to forecast the yield on an asset over its lifetime. Contrast this with the approach of the speculator who is taking a view on the future movement of a share price without ever understanding the underlying drivers of economic value. In other words, forecasting the psychology of the market. Or the momentum investor or chartist who believes that because a share has already gone up, it is somehow more attractive.

When I select an investment for the Fund, I look first for a business I can understand; one where I think I appreciate the product, the nature of its competition and what can go wrong over time. Then I try to figure out whether it's economics – meaning its earning power over the next five, 10 or 15 years – is likely to be good and getting better, or poor and getting worse. Next, I try to evaluate its future income and cash streams. And lastly, I try to judge whether I am joining with people I feel comfortable being in business with. Only when all these criteria are met do I try to decide on what seems to be an appropriate price for what I have seen up to that point.

Each company you look at will have some unique characteristics, such as competitive positioning, brand awareness or product set. But the key common characteristics are always the same: predictability of the business model; strength of franchise; growth prospects; and cash return on invested capital. Establishing where the company is on those four issues will give you 80% of what you will ever need to know.

Successful investment demands that there be a material difference between the price you pay and the value you get. This is your margin of safety and it is only the closing of that price: value gap that gives you your super-normal investment profit. There can be no super-normal profit potential if a company's stock price is always equal to its intrinsic value. And, the one factor, more than any other, that determines the return from a financial asset is the price you pay for it in the first instance. Fortunately, markets are neither efficient nor rational all the time, despite what the ivory tower academics would have you believe. Market price and business value may be apart for weeks, months or even years. You cannot predict the time it will take for the gap to close, but you know that it will eventually. The only slight fly in the ointment is Keynes' admonition that the market can stay irrational for longer than you can stay solvent! Investment analysis always involves considering both value and price; the trick is to get more in value than you pay in price.

In May, the Fund price rose by 2.5% from 159.31p to an all-time high of 163.32p. The UK stock market also rose, by just under 1% during this time. There were 16 gainers and 11 losers. The best performer was Trifast (+26.0%) followed by Scapa Group (+19.3%) and Latchways (+10.9%). There were no double-digit losers. Early in the month, I made a large top-up investment in Scapa and later on in RWS Holdings. Furthermore, I completed the sale of Sweett Group for a book profit of 22% over its holding period. Lastly, I evaluated Saga ahead of its listing but declined to take part in the IPO since the asking price was about 25% above my estimate of current fair value. It joins Pets At Home as a newly quoted business that I fundamentally like but where the price: value ratio is just plain wrong at present levels.

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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