September 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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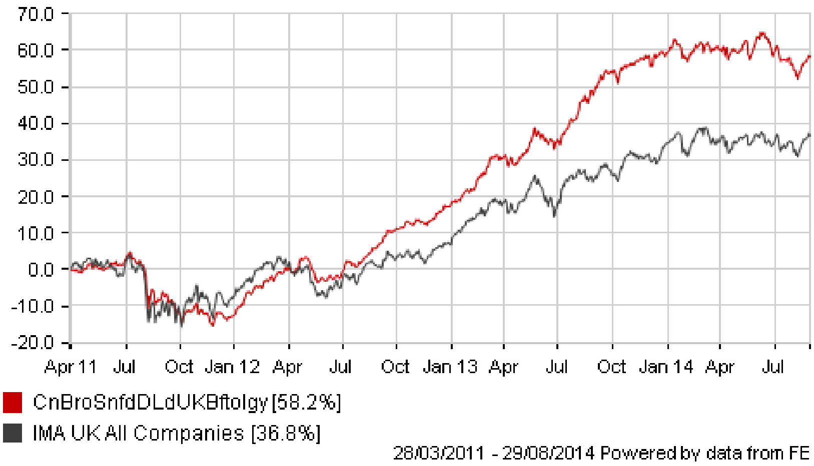
## Performance Record




## | Key Facts |

| | |
|---|---|
| **Fund Size:** | £17.9m |
| **Launch Date:** | 28 March 2011 |
| **Sector:** | IMA UK All Companies |

## | Top 10 Holdings |

| | % |
|---|---|
| Cash | 7.56 |
| Trifast | 5.51 |
| Scapa | 4.74 |
| Driver Group | 4.63 |
| Dart Group | 4.33 |
| NCC | 4.20 |
| Mattioli Woods | 3.91 |
| Liontrust Asset Management | 3.79 |
| International Personal Finance | 3.75 |
| Lavendon | 3.69 |
| **TOTAL** | **46.11** |

## | Asset Allocation |

| | % |
|---|---|
| Support Services | 17.1 |
| Financials | 15.0 |
| Chemicals | 13.4 |
| Cash/Other | 13.1 |
| Travel & Leisure | 10.4 |
| Industrial Engineering | 8.6 |
| Pharmaceuticals & Biotechnology | 5.9 |
| Food & Beverages | 5.8 |
| Software & Computer Services | 4.2 |
| Retailers | 3.5 |
| Leisure Goods | 3.0 |

## Discrete Annual Performance (%)

| Share Type | 2014(YTD) | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| Income | -0.8 | 36.0 | 34.2 | - | - |

## Discrete Annual Performance to Quarter End 30 June 2014 (%)

| Share Type | 30/06/2013 30/06/2014 | 30/06/2012 30/06/2013 | 30/06/2011 30/06/2012 | 30/06/2010 30/06/2011 | 30/06/2009 30/06/2010 |
|---|---|---|---|---|---|
| Income | 17.4 | 37.1 | -3.8 | - | - |

## Cumulative Performance to 31 August 2014 (%)

| Share Type | 3 Months | 6 Months | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|---|
| Income | -3.2 | -2.3 | 6.1 | 69.8 | - |
| Official Sector | -0.1 | -1.4 | 9.7 | 51.0 | 74.9 |

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. 17/09/2014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## Fund developments and comments

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

Peter Lynch managed the Fidelity Magellan Fund from 1977 to 1990, during which time it beat the S&P 500 Index in 11 years and achieved an average return of 29% p.a. You might therefore think that most of his investors would have made money. But guess what? Lynch said that he believed more than half the unit-holders in his fund had actually lost money. It all depended on when they had bought and sold Magellan units. Researchers estimated that the average Magellan investor earned a return of 13.4% p.a. from 1981 to 1990, trailing both the fund and the S&P 500's 16.2% return. How does the typical investor in a fund run by one of the most successful managers of all time end up falling behind the overall market? The reason is simple: poor timing.

The experience is not confined to Magellan. Another study by Morningstar tracked the cash flows in and out of 219 leading growth funds in the US between 1989 and 1994. The funds averaged an annual compounded return of 12.5% during this time but their investors apparently made no money at all. In fact, they lost 2.2% a year. Both findings point to the same conclusion. As a cohort, investors do a decidedly poor job of deciding when to buy or sell their mutual funds. Why?

One reason is impatience. When a fund has a great year, it gets onto everybody's radar and attracts more investors. A hot fund's assets might triple the year after. The new money has to be invested and this might become a drag on performance for a short while until the new investments get into their stride. Meanwhile, the average investor loses patience and sells to go chasing the newest hot idea. Lynch described this in an interview. One Saturday, early on in his tenure, he was working at the office and answered the phone. The caller was a Magellan holder who was calling to cash in the investment. Lynch explained how he was excited about the growth prospects for the economy and his fund, and asked him why. The caller said, "Because I am breaking even." Magellan then went on to record compounded annual growth of around 20% for a decade during the 1980s!

Another reason is 'Recency Bias'. No matter how we arrive at our latest conclusion, we always seem to be preparing ourselves for the last thing that happened rather than what is going to happen next. In 1987, I was working in a stockbroker's office. The day after the market crashed on Black Monday, people began to worry that the market was going to crash further. Those investors who got out on the Tuesday so they wouldn't be fooled again as they just had been on the Monday, actually were fooled again as the market went back up. We see the same behaviour in corrections like the minor one we have been going through recently. As Lynch said, "Far more money has been lost by investors preparing for corrections, or trying to anticipate corrections, than has been lost in corrections themselves."

If you are an investor, you have to accept that there are going to be declines. And every couple of years or so, you are going to get a 10% correction. (A correction, incidentally, is a euphemism for losing a lot of money rapidly.) If you can't stomach that, you should not be in the stock market. Then there is your timing. Is your time horizon one year? If so, you are just gambling on red or black at the casino. Time is on your side in the stock market. When stocks go down, if you've got the money, you don't worry about it and you put more in. Investing must be the only activity where most folks prefer to pay more when prices are rising than less when they are falling.

In August, we certainly did have the money and about a quarter of it was put back to work in the stock market buying up more of what we already own at attractive prices. Particularly good entry prices were seized in GlaxoSmithKline, Diageo and Air Partner. The performance of the Fund over the month – up by 1.4% from 155.96p to 158.17p – was in line with the market. There were 17 gainers, led by Air Partner +11.6% and Scapa Group +11.0%, and 10 fallers, none of which were double-digit. At the month-end, I am pleased to say that the fund shares were marked ex dividend and that a maiden distribution will be made in November.

## 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<br>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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