CFP SDL UK Buffettology Fund

Fact sheet - July 2023

Sanford DeLand
ASSET MANAGEMENT
Business Perspective Investors

Fund Information

Fund Manager:	Keith Ashworth-Lord
Sector:	IA UK All Companies
Launch Date:	28/03/2011
Fund Size:	£650.9m
Number of Holdings:	27
ACD:	ConBrio Fund Partners Limited

Platform Availability

Aberdeen, Advance by Embark, Aegon, AJ Bell, Aviva, EQi, Fidelity, Hargreaves Lansdown, Interactive Investor, James Hay, M&G Wealth, Novia, Nucleus, Pershing, Quilter, Transact and 7IM.

Ratings

ALPHA MANAGER 2022
Keith Ashworth-Lord

RSMR RATED FUND

Fund Manager

Keith Ashworth-Lord

Chief Investment Officer & Fund Manager

Keith has over 35 years' equity market experience and is a seasoned practitioner of 'Business Perspective Investing' as championed by Benjamin Graham and Warren Buffett. Keith founded Sanford DeLand in 2010. He holds a BSc in Astrophysics and a MSc in Management Studies and is a Chartered Fellow of the Chartered Institute for Securities & Investment.

Investment Analysts

Eric Burns — **Chief Analyst**

Eric has over 25 years' experience of UK equity markets. He joined Sanford DeLand in 2020, to lead the stock research process for the UK Buffettology and Free Spirit funds. He is a Chartered Fellow of the CISI and was voted Analyst of the Year at the 2015 UK SmallCap Awards.

Chloe Smith — **Investment Analyst**

Chloe joined in October 2021 as an Investment Analyst, with experience in UK and European equity research, as well as in sustainable and responsible investment. She graduated with an LLB in Law and a MSc in International Financial Analysis from Newcastle University.

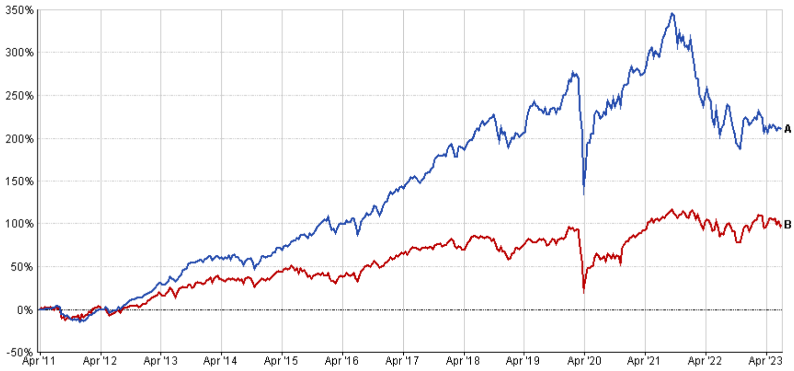
David Beggs — **Investment Analyst**

David joined Sanford DeLand in October 2020 as an Investment Analyst. He has a First Class Degree in Economics from Newcastle University and is a CFA Charterholder.

Fund Objective and Strategy

The investment objective of the Fund is to seek to achieve an annual compounding rate of return over the long term, defined as five to ten years, which is superior to the median performance of all of the funds forming the official peer group of which the Fund is part. 'Peer group' is defined as being the Investment Association sector to which the Fund has been allocated (currently being the UK All Companies Sector) or to which it may be allocated in the future, as determined by that body. Investments will be made principally in UK equities with strong operating franchises and experienced management teams, applying the methodology of Business Perspective Investing.

Pricing Spread: Bid-Bid   Data Frequency: Daily   Currency: Pounds



A—CFP—SDL UK Buffettology General Inc TR in GB [212.71%]
B—IA UK All Companies TR in GB [99.00%]

28/03/2011—30/06/2023 Data from FE fundinfo 2023

Cumulative Performance (%)

	1 Mth	3 Mths	1 Yr	3 Yrs	5 Yrs	Since Launch
Fund	1.74	1.09	0.40	-3.75	0.80	212.71
Sector	-0.45	-0.77	6.15	24.02	7.93	99.00
Rank	3/247	28/247	217/246	227/234	171/225	4/181
Quartile	1	1	4	4	4	1

Discrete Performance (%)

	2023 YTD	2022	2021	2020	2019	2018
Fund	-1.44	-23.38	8.76	3.85	25.25	0.37
Sector	1.84	-9.06	17.25	-6.01	22.24	-11.19
Rank	222/246	226/254	235/247	32/244	74/240	3/234
Quartile	4	4	4	1	2	1

Discrete Year to Quarter End Performance (%)

	Q2 2022 Q2 2023	Q2 2021 Q2 2022	Q2 2020 Q2 2021	Q2 2019 Q2 2020	Q2 2018 Q2 2019
Fund	0.78	-23.25	25.28	-2.41	7.30

Source of performance data: FE fundinfo as at 30/06/2023.

Past performance is not a guide to future performance.

Investment in the Fund carries the risk of potential loss of capital.

*** £50 Regular saver minimum applies once the £500 minimum investment is met.**

**** The Ongoing Charge Figure has been calculated as of 28/02/2023.**

Share Class Information

Share class	Min. Investment	Min. Saver*	Initial Charge	Investment Adviser Fee	Ongoing Charge **	Payment Dates	ISA Eligible	ISIN	CITI Code	Bloomberg	MEXID
General Income	£500	£50	0.00%	0.95%	1.15%	30th Apr 31st Oct	Yes	GB00BKJ9C676	K6LW	PRESINI:LN	BDAADV
General Accumulation	£500	£50	0.00%	0.95%	1.15%	30th Apr 31st Oct	Yes	GB00BF0LDZ31	O5M6	CSUKBIA:LN	CFSMC

Top 10 Holdings (%)

Games Workshop Group	9.88%
Berkshire Hathaway 'A'	5.47%
Bioventix	5.34%
Rollins	5.32%
Jet2	4.99%
Relx	4.92%
AB Dynamics	4.87%
London Stock Exchange	4.69%
Dechra Pharmaceuticals	4.53%
Experian	4.46%

Sector Allocation (%)

Financial Services	16.11%
Support Services	11.38%
Leisure Goods	11.31%
Pharmaceuticals & Biotechnology	9.87%
Software & Computer Services	8.19%
Food & Beverages	6.33%
Technology Hardware & Equipment	6.13%
Cash	5.03%
Travel & Leisure	4.99%
Media	4.92%
Industrial Engineering	4.87%
Construction & Materials	4.51%
Chemicals	3.66%
Retailers	2.44%
Electrical & Electronic Equipment	0.26%

Important Information

All data as at 30/06/2023 unless otherwise stated.
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Fund Commentary

One of the important criteria for selecting potential investments is return on equity (ROE). ROE is just another measure of earnings divided by assets, not dissimilar to return on capital employed (ROCE). However, ROE is the rifle to the ROCE scattergun. It concentrates exclusively on how good, or otherwise, management is at compounding your equity investment. High returns are consistent with companies benefiting from a strong market position. The superior company with an economic moat will earn a superior return on book value for its shareholders year in, year out, without those returns being competed away to the cost of capital.

ROE starts with the surplus on trading earned for shareholders after deduction of all prior claims (interest, tax, preference dividends, minorities etc.). This is then divided by the book value of equity, after adding back any goodwill or acquired intangibles that have been written-off or amortised. You take the average of opening and closing equity rather than the value at the year-end; hence return on average equity or ROAE. This is because events like a large acquisition late in the year would distort the picture by boosting equity fully whilst making only a small contribution to earnings. If earnings grow faster than the increase in equity, ROE will rise and vice versa.

Return on equity is the product of two components: the sales-to-equity ratio, which tells you how much in annual sales is being generated per £1 of equity capital invested in the business, multiplied by the earnings margin, which tells you how much net profit is being generated per £1 of sales. Along the way, there is a whole host of variables that interact to produce that single ratio. These variables are the value drivers of the business and their study is known as Du Pont Analysis.

The sales-to-equity ratio measures how efficiently management is using the capital invested by the owners to generate higher revenues. In general, the less capital tied up in assets for any given level of profit, the less business risk and the greater free cash flow. Going back along this branch enables you to compare fixed and working capital requirements to revenues and how they have evolved over time. They can be influenced by company specific or industry-specific factors. Some capital expenditure will always be required to maintain the productive capacity of the company. Still more might be needed to expand the business and drive the top-line. And very few businesses are able to grow without the need for additional working capital to finance such growth.

The earnings margin measures how efficiently management is converting higher sales into profit and earnings. Often there will be a trade-off between sales growth and fatter margins but the very best companies manage to combine the two. There are only two effective ways to increase the earnings margin: increase operating profit for a given level of sales or reduce the tax charge. Improving operating margins is a key job of management. Additional gross profit can come from more aggressive pricing, keener purchasing, and more productive labour and capital. Additional operating profit comes from tight control of overheads. Reductions in the tax charge can be extrinsic, such as reduced rates of Corporation Tax (cue laughter with Jeremy Hunt in the Exchequer), or intrinsic like better treasury management and tax planning. Both revenue profitability and capital profitability can be judged by analysis of the various ratios.

A snapshot of how ROE is evolving comes from calculating the marginal return on the most recent slug of investment in the company, which will usually be the previous year's retained earnings. This is accomplished by dividing the incremental change in earnings by the incremental increase in equity over, perhaps, the last 1 to 5 years. Marginal returns rise and fall long before the average and, as such, act like a magnet dragging the average up or down. They are therefore a powerful lead indicator for both the future upside and downside potential. Treated with care, they can be an early warning sign of problems lying ahead.

In June, the Fund's Income and Accumulation classes both rose by 1.7%. This represented outperformance against both the UK stock market (+0.7%) and the IA UK All Companies sector (-0.5%), the Fund's benchmark.

The two biggest contributors to performance were Games Workshop (+15.5%) and Dechra Pharmaceuticals (+7.8%). Games benefited from a very strong year-end trading update ahead of the launch of Warhammer 40k 10th Edition. Dechra agreed to a cash takeover at 3,875p per share by Swedish private equity firm EQT. Yet another of our companies driven down by the stock market to levels that attract a predator. Investors please take note!

In terms of portfolio activity, there are three things to mention. Firstly, we continue to build the new position we flagged in last month's commentary – this will be executed patiently and it is likely to be a number of months before we are able to reveal it. Secondly, we have started to purchase a further new holding and again this will be built prudently.

Finally, we completed the exit of PayPoint during the month. We had held a number of concerns over this business but the final straw for us was the takeover of Appreciate Group, formerly known as Park Group. We judge management by how sensibly they allocate capital and, despite our efforts to get comfortable with the deal through engagement with management, it had all the hallmarks of an ill-thought out vanity project. Furthermore, we had real concerns the business was becoming over-geared at precisely the wrong point in the cycle, potentially putting the level of dividend – one of the saving graces of sticking with the position – at risk.

Sources: Sanford DeLand Asset Management and FE fundinfo 30/06/2023.
Past performance is not a guide to future performance.
Any views expressed are the Fund Manager's and as such are subject to change, without notice, at any time.

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