CFP SDL UK Buffettology Fund

Fact sheet - September 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:	£596.8m
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.

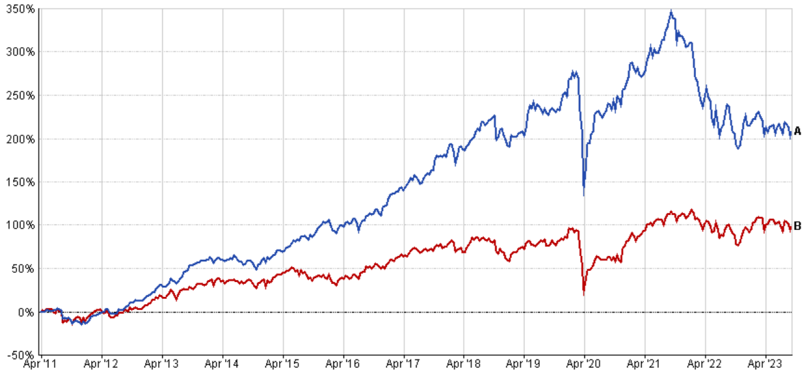
David Beggs — **Investment Analyst**

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 [208.90%]
B—IA UK All Companies TR in GB [99.62%]

28/03/2011—31/08/2023 Data from FE fundinfo 2023

Cumulative Performance (%)

	1 Mth	3 Mths	1 Yr	3 Yrs	5 Yrs	Since Launch
Fund	-2.75	0.50	-2.77	-8.43	-4.38	208.90
Sector	-2.20	-0.14	4.12	23.40	8.97	99.62
Rank	193/244	92/244	220/243	225/233	198/222	4/179
Quartile	4	2	4	4	4	1

Discrete Performance (%)

	2023 YTD	2022	2021	2020	2019	2018
Fund	-2.64	-23.38	8.76	3.85	25.25	0.37
Sector	2.16	-9.06	17.25	-6.01	22.24	-11.19
Rank	222/243	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 31/08/2023.

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	9.44%
Berkshire Hathaway 'A'	5.79%
Bioventix	5.44%
Dechra Pharmaceuticals	5.10%
Rollins	4.92%
Relx	4.79%
AB Dynamics	4.69%
Softcat	4.59%
London Stock Exchange	4.53%
Jet2	4.38%

Sector Allocation (%)

Financial Services	16.36%
Leisure Goods	10.83%
Support Services	10.68%
Pharmaceuticals & Biotechnology	10.54%
Software & Computer Services	8.49%
Technology Hardware & Equipment	6.87%
Food & Beverages	6.16%
Media	4.79%
Industrial Engineering	4.69%
Construction & Materials	4.67%
Travel & Leisure	4.38%
Cash	4.38%
Chemicals	3.58%
Retailers	2.69%
Electrical & Electronic Equipment	0.89%

Important Information

This document, which is approved and issued by Sanford DeLand Asset Management Limited (SDL), provides information about the CFP SDL UK Buffettology Fund (the Fund). ConBrio Fund Partners Limited (CFP) is the Authorised Corporate Director (ACD) of the Fund. SDL is the appointed Investment Adviser to the Fund. CFP and SDL are authorised and regulated by the Financial Conduct Authority (FCA).

This document does not constitute or form part of, and should not be construed as, an invitation or offer to buy or sell shares in the Fund and neither this document nor anything contained or referred to in it shall form the basis of, or be relied on in connection with, any offer or commitment whatsoever.

The value of shares and the income generated from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally subscribed. Equity investments should always be considered as long term.

Investors should not purchase shares in the Fund except on the basis of information contained in the Fund's Prospectus. We recommend that investors who are not professional investors should contact a professional adviser. The Fund's Prospectus and Key Investor Information Document (KIID) are available from www.conbriofunds.com or direct from ConBrio Fund Partners Limited.

All data as at 31/08/2023 unless otherwise stated.
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Fund Commentary

This month, I am looking at the various factors that can cause cash flow to diverge from what a company might be reporting in profits. There is nothing fundamentally wrong with the 'earnings drive share prices' view. The problem comes when the need to grow earnings results in manipulation or where mythical earnings do not get reflected in cash. The theoretical justification for earnings as a valuation tool is that, over time, earnings translate into cash.

In making an investment, the investor gives up cash. In return, more cash is expected in the future; in dividends and/or capital appreciation that can be crystallised. The value of any investment is the stream of future cash flows that an investor can expect, discounted back to a lower net present value in recognition of the fact that cash today is worth more than cash tomorrow. The trouble is earnings do not always produce the cash they are supposed to. Earnings and their rate of growth depend to some extent on the accounting decisions in the finance director's office. Whilst earnings are often a matter of opinion, cash is a matter of fact. You cannot fudge the cash position over an extended period of time without resort to fraudulent behaviour - cash is the ideal valuation tool.

So, how is it that earnings and cash flow can differ markedly? The matching principle of accounting determines that the revenues arising from a transaction have to be matched against all the expenses incurred in producing and delivering it to the customer. Fine for expenses that can be directly attributed to the transaction concerned, such as raw materials or labour. But what about indirect expenses? That's where the accrual principle comes in to spread costs over the period in which economic benefit is being derived from that already spent. There are five such major examples.

The first is working capital; short-lived assets such as stocks and work-in-progress, debtors and creditors. Stocks and WIP are costs incurred in a given accounting period by having added value to the input factors. Debtors represent money owed by customers yet to be collected. Until the customer pays, the profit is recognised but the cash not received. As long as the stocks can be sold, and the debts collected, the difference is timing. The problems arise when there is obsolete unsold inventory or customers fail to pay their debts. Or when companies allow customers a longer time to pay. Creditors represent money owed by the company for economic benefits already obtained. Over time, the requirement to invest in additional working capital should roughly approximate the growth in turnover. This is not always the case, however. The absorption of cash into working capital is the most frequent cause of divergence between a company's reported profits and its cash generation.

Next, capital expenditure. A company might buy a machine with an expected ten years' productive life. The capital cost should be apportioned over this period and not solely in the year it was bought. This is done by applying a yearly depreciation provision. The problem is the apportionment method chosen by management to apply and the estimate of residual value at the end of the asset's useful life. Such decisions impact reported profits. But again, the cash flow statement avoids this by recording only the cash paid for the machine or the cash received when it is sold.

Another example is capitalised expenditure, such as R&D where the economic benefits are expected to accrue in future years. Management can write off R&D as incurred (the most prudent way) or it can capitalise R&D and then amortise it over the period during which the benefits are expected. This works if the R&D is fruitful. But what if the expected benefits don't accrue or there are performance-related problems? The cash has been spent.

Similarly with acquisitions. Assets purchased will have a net book value, which the acquirer may amend upon consolidation. Adjustments can be made to align accounting policies or assets can be written down to reflect consideration of realisable value. Provisions may be set up to cover integration and rationalisation costs. Written-down fixed assets reduce the depreciation charge over the remaining life of the acquired assets. Stocks may be sold later at a price higher than the written-down value. Provisions made for doubtful debts might not be needed. In each event, post-acquisition profits would be inflated. However, cash flow is unchanged because the money exits on day one as consideration for the assets acquired.

Lastly, interest and taxes. Interest in the income statement is that receivable or payable during the accounting period but does not record what is actually received or paid – this appears in the cash flow statement. Ditto with the tax charge. Other than simple collection timing differences, the three most common causes of discrepancies are bank loan arrangement fees, the treatment of defined benefit pension schemes and deferred tax.

Recognise the importance of cash and you won't go far wrong. Cash is the gold standard of investment analysis.

In August, the Fund's Income and Accumulation classes both fell by 2.7%. The former from 296.48p to 288.05p and the latter from 121.11p to 117.67p. This compared to -3.3% for the UK stock market and -2.2% for the IA UK All Companies sector, the Fund's benchmark.

There were 10 gainers and 17 fallers in what is typically a quiet month for company reporting. The gainers were led by Team17 (+3.1%), which reported an in-line H1 trading update, an impressive performance given the difficult market backdrop which has resulted in a spate of profit warnings in the video gaming sector. It was also announced that Frank Sagnier will be taking over as non-executive Chairman in January. Frank brings over 25 years of industry experience, including an impressive tenure as CEO of former Free Spirit holding, Codemasters, up until its acquisition by EA in 2021. Elsewhere, AG Barr (+1.4%) and Next (-1.0%) demonstrated their resilience in a difficult environment for the consumer by upgrading profit expectations for the full-year. The biggest faller during the month was Hargreaves Lansdown (-11.0%), perhaps unsurprising given a difficult month for equity markets but a seemingly short-sighted reaction nonetheless.

Sources: Sanford DeLand Asset Management and FE fundinfo 31/08/2023.
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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