CFP SDL UK Buffettology Fund

Fact sheet - October 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:	£576.2m
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.

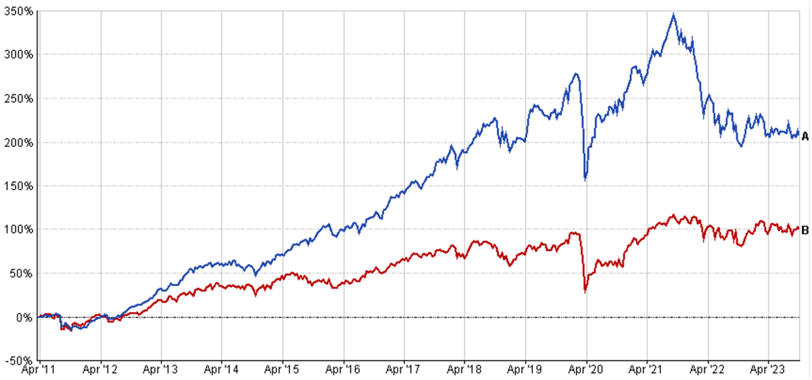
David Beggs — **Investment Analyst**

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 [208.21%]
B—IA UK All Companies TR in GB [100.71%]

28/03/2011—29/09/2023 Data from FE fundinfo 2023

Cumulative Performance (%)

	1 Mth	3 Mths	1 Yr	3 Yrs	5 Yrs	Since Launch
Fund	-0.22	-1.44	5.61	-7.67	-5.13	208.21
Sector	0.54	0.82	12.68	26.29	10.15	100.71
Rank	164/242	199/242	216/241	222/231	198/220	5/178
Quartile	3	4	4	4	4	1

Discrete Performance (%)

	2023 YTD	2022	2021	2020	2019	2018
Fund	-2.85	-23.38	8.76	3.85	25.25	0.37
Sector	2.71	-9.06	17.25	-6.01	22.24	-11.19
Rank	214/241	226/254	235/247	32/244	74/240	3/234
Quartile	4	4	4	1	2	1

Discrete Year to Quarter End Performance (%)

	Q3 2022 Q3 2023	Q3 2021 Q3 2022	Q3 2020 Q3 2021	Q3 2019 Q3 2020	Q3 2018 Q3 2019
Fund	5.61	-31.79	28.17	-0.83	3.61

Source of performance data: FE fundinfo as at 29/09/2023.

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 31/08/2023.**

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%	1.18%	30th Apr 31st Oct	Yes	GB00BKJ9C676	K6LW	PRESINI:LN	BDAADV
General Accumulation	£500	£50	0.00%	0.95%	1.18%	30th Apr 31st Oct	Yes	GB00BF0LDZ31	O5M6	CSUKBIA:LN	CFSMC

Top 10 Holdings (%)

Games Workshop Group	9.26%
Berkshire Hathaway 'A'	6.13%
Relx	5.36%
Dechra Pharmaceuticals	5.27%
Bioventix	5.06%
Rollins	4.96%
London Stock Exchange	4.75%
Softcat	4.61%
AB Dynamics	4.57%
Jet2	4.47%

Sector Allocation (%)

Financial Services	16.99%
Support Services	10.70%
Leisure Goods	10.41%
Pharmaceuticals & Biotechnology	10.33%
Software & Computer Services	9.09%
Technology Hardware & Equipment	6.52%
Food & Beverages	6.05%
Media	5.36%
Construction & Materials	4.71%
Industrial Engineering	4.57%
Travel & Leisure	4.47%
Cash	3.54%
Chemicals	3.29%
Retailers	2.92%
Electrical & Electronic Equipment	1.05%

Important Information

All data as at 29/09/2023 unless otherwise stated.
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Fund Commentary

For the last 'teach-in' style commentary of recent months, I want to turn my attention to valuation insights. Buffett once remarked *"If calculus were needed, I'd have to go back to delivering papers."* It is often said that the valuation of a company is more art than science. If there is some truth in that, it is because valuation is more a matter of judgement, i.e. balancing the consideration of many factors, rather than the unthinking application of strict mathematical formulae. The knowledge of how to value a capital asset properly is probably the most valuable shot in an investor's armoury.

The perspective of the valuer is very important. A financial investor will view the company as a stand-alone entity, basing judgement on the risk-adjusted financial returns likely to be secured from an investment in it. The return must compare favourably with opportunities elsewhere. One financial investor has no theoretical advantage over any other financial investor and, in receipt of the same information and under identical assumptions, ought to arrive at much the same valuation as any of the peer group. In practice, however, different financial investors frequently arrive at widely differing valuations. These differences arise for two good reasons. Firstly, a conceptual difference of view as to what is the best guide to value: sales, profits, earnings, cash flow or assets. Secondly, differences in the assumptions made; some investors may simply be better informed than others.

Conversely, a strategic investor might be able to secure additional value over and above that available to the financial investor, even with only partial ownership of the company. These extra gains derive from synergies between what is already owned and the new acquisition. In principle, therefore, a strategic investor will usually place a higher value on a company than a financial investor. This explains why take-overs almost always occur at a premium to the undisturbed stock market value immediately prior to the initial offer.

Valuations are made with reference to either the equity value or the enterprise value. Equity value is that relating to the ordinary shares only whereas enterprise value is that of the whole company (equity value plus debt minus cash). In general, if the valuation relies upon a metric struck before interest, it is valuing the enterprise. If struck after, it is valuing the equity.

The traditional accounting model of company valuation says that share prices are determined by capitalising an accounting metric at an appropriate multiple. The accounting model centres on the income statement and the balance sheet. Equity value examples include: (i) the PER (price-to-earnings ratio); (ii) its reciprocal, the earning yield, expressed as a percentage; (iii) the PEG (price earnings growth factor), which relates the PER to the projected growth rate of earnings over the same period by dividing the former by the latter, and (iv) price to free cash flow. Enterprise value (EV) alternatives would be EV to operating profit or sales. Lastly, you can compare price to book value.

By contrast, the economic model of company valuation focuses on the sources and uses of cash. So, it doesn't matter where the cash outlays get recorded. Business Perspective Investors care only about how much cash seems likely to be generated over the lifetime of the business and the risk that it won't materialise. Growth is important in that a good business will be able to expand its cash earnings (effectively its coupon) at a higher rate than the discount rate used to bring those future cash earnings back to present value. The most thorough technique is Discounted Cash Flow. It allows analysis of every element of cash flow in a business. It then relates the company's value to these future cash flows by discounting them back to net present value. The problem is the discount factor. Theorists postulate weighted average cost of capital; practitioners like me use 10% religiously so as not to get sucked into allowing the short-term interest rate cycle to obscure the long-term vision of fundamental worth.

I hope these recent 'teach-ins' have been some use. For those wanting greater depth, my book 'Invest in the Best', published by Harriman House, goes into much more detail.

To turn to performance, September was another month where those sectors driving the market were largely those to which this Fund has zero exposure, and never will. Both Banking and Oil & Gas sectors were up by over 8% month on month, ostensibly driven by a pause in the Bank of England rate hike cycle and an oil price closing in on $100 a barrel, respectively. The Fund's Income class share price fell by 1.1% from 288.33p to 285.10p and the Accumulation class by 0.2% from 117.67p to 117.52p. This compared to a 1.7% increase in the UK stock market as a whole and a 0.5% increase in the IA UK All Companies sector, the Fund's benchmark. The difference in performance was accounted for by the Income class being marked ex a 2.6p dividend at the start of September.

Reassuringly, of the 13 companies that issued newsflow in the month, eight were what we regarded as satisfactory and five beat expectations. The top three performers were NCC Group (+19.3%), Craneware (+8.8%) and MJ Gleeson (+8.2%), which all received boosts from in-line full-year results. Next (+4.8%), one of the most recent purchases in the Fund, raised full-year guidance on the back of a very strong first half, which noted that sales are better than expected, online service has improved and costs are lower than expected. A triple whammy of good news in an otherwise becalmed UK retail sector. Team17 (-15.9%) and Croda International (-11.3%) were the largest fallers in share price terms. We ended the month with cash of £20.4m, representing 3.5% of the Fund's net asset value.

Sources: Sanford DeLand Asset Management and FE fundinfo 29/09/2023.
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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