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Fund Manager Interview

£532m

Amount pulled from UK equity funds in January by retail investors

Sanford DeLand's Ashworth-Lord: UK investors are starting to see negative newsflow for what it is - fake news

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Despite the challenges facing smaller firms, in a climate of increasing regulation and passive products taking larger market share, Sanford DeLand Asset Management, the UK equity boutique set up by Keith Ashworth-Lord in 2010, has seen assets under management soar in recent years even amid negative sentiment towards the UK.

The multi-cap SDL UK Buffettology fund, managed on the principles of Business Perspective Investing championed by Warren Buffett, and launched by Ashworth-Lord in March 2011, has seen assets grow from £100m at the beginning of 2017 to £371m as at 14 June 2018.

"I cannot believe the flows we have had. They have been fantastic," Ashworth-Lord (pictured) said.

In addition, the firm has seen the high-profile hire of former Schroders small- and mid-cap specialist Rosemary Banyard, who joined in late 2016 and soon after launched the Free Spirit fund, which has raised £13m.

"Asset gathering has been escalating and our number one objective is to get Rosemary's fund to a decent size in a measured way," said Ashworth-Lord, as he discusses the boutique's plans for the future.

Banyard joining Sanford DeLand was serendipitous. She approached Ashworth-Lord to ask for advice on setting up her own business, to which he replied: "Come and join me."

She said: "I realised quickly there was a lot more to setting up your own business than I previously thought. I had known Ian Page, the then chairman, for 20 years and a lot of the people that were original backers in the Sanford DeLand business."

Ashworth-Lord added:

"When we were talking about methodology and stockpicking, we realised we had a lot in common, but very little overlap in terms of stocks."

Meanwhile, considering the negative sentiment towards UK equities and a mass exodus from investors - Investment Association stats show £532m was pulled from UK equity funds in January alone by retail investors (twice that of the previous month) - both managers said the outflows had been "overdone".

"Markets keep going up as investors are starting to see the negative newsflow for what it is: fake news," Ashworth-Lord said.

Indeed, UK stockmarkets have been reaching record highs while the funds have also been enjoying strong performance. The UK Buffettology fund is up 22.3% over the past year compared to the IA UK All Companies sector return of 9.1%, according to FE.

This is something that Ashworth-Lord, who travels to Omaha every year for Buffett's Berkshire Hathaway conference, said may lead to a fund name change at some point: "At the moment, the name of the fund is not selling it, the performance is. We will look at it again when the licence runs out in 2021."

Business expansion

In terms of other future plans for the business, Ashworth-Lord said an income fund would be a "twinkle in the eye" as his fund's methodology could be simply converted to this kind of mandate.

"I have always said the methodology I use would be ideal for an income fund - it would involve putting a dividend requirement on what we buy."

He also said the firm could look to sell the funds internationally, as well as increase resources further following the hire of



dedicated investment research analyst Andrew Vaughan, who joined in January.

"We are not short of people beating down our doors. We get an approach a week to take people on who need mentoring," he added.

Challenges

But it has not all been an easy ride for the boutique, with Ashworth-Lord saying regulation has "undoubtedly been the biggest challenge", echoing the views of other smaller firms.

"We come under the wing of Castlefield Investment Partners for regulation and compliance, which take a lot of the direct burden. But we still need to comply with MiFID II and GDPR, which are big demands on our time.

"We have come to the point of regulation overkill, and even the Financial Conduct Authority is going back on PRIIPs. Any thoughts on MiFID III should be put firmly on the backburner.

"We think MiFID II is very short-termist. It encourages quarterly valuations and to notify investors when a portfolio drops 10% - that is an invitation to panic. We would like the industry to be more long-termist rather than short-termist."

Ashworth-Lord also commented on the debate on fees, but said the

focus should be on a fund's value, not its price.

"Fees do come up - the Buffettology fund has an OCF of 1.28%. We remind clients that we are paying fees for regulation, administration, compliance, the licence to use the Buffettology name, and for third party marketing and distribution of the fund.

"We have a very straightforward attitude. As long as I outperform ahead of those fees, I am happy. In Buffett's words: 'Price is what you pay, value is what you get.'"

Smaller firms

Both managers also highlighted there are many advantages to working in a smaller firm, from having investment freedom - what the Free Spirit fund was named after - the feeling of necessary 'presenteeism' in larger offices, to conversations with CEOs about potential investment opportunities.

Banyard explained: "It is totally different working here compared to larger businesses. One of the big benefits for me is that I do not have a commute - there is no presenteeism culture that prevails in larger firms.

"There is a lot more regulatory and compliance input requirements than at a larger firm, but you cannot get away from that at any company.

"I see fewer companies than I used to, but I get to pick and choose the ones I do want to see. I have more time for portfolio modelling and reading.

"When we do meet businesses, especially small- to medium-sized business with entrepreneurs at the helm, they warm to us more as we are also building a business from a small base. They really identify with that."

Ashworth-Lord reiterated that point: "Buffett says being an investor makes a person a better businessman. We ask very different questions."