Solid businesses provide the base for growth

BEST SMALLER FUND

ConBrio Sanford Deland UK Buffettology General

Winner of this year's best smaller UK growth fund, ConBrio Sanford Deland UK Buffettology General is a refreshing new entrant to *Money Observer*'s hall of award winners. Consistently outperforming much larger rivals since its launch in March 2011, this tiny £18.5 million fund has delivered 68 per cent over the past three years to 31 March, placing it in the first quartile of the Investment Association's 262 fund-strong UK all companies sector over the period – an impressive achievement for such a minnow.

Keith Ashworth-Lord has managed the fund since inception and, following what seems to be a theme among this year's UK growth winners, takes a high-conviction, concentrated approach to investing. Currently the fund's portfolio contains just 27 holdings, all of which Ashworth-Lord believes in completely.

'The success of the fund is down to getting the investments right. I spend a lot of time researching potential investments and when I find an attractive investment, I invest a meaningful proportion of cash in it,' says Ashworth-Lord. 'This is "focus" investing: concentrating investments in relatively few companies that I think I know a lot about. I firmly believe that investment is a business venture, not a gamble, and it is the companies owned that make money for the investor, not the stock market.'

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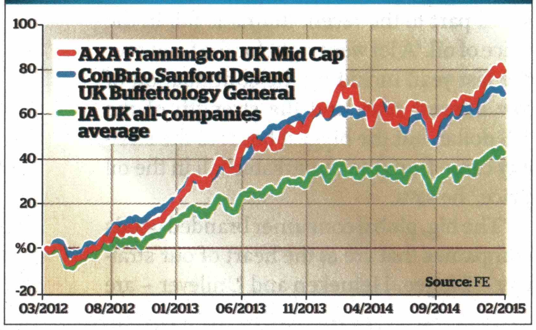
> **Keith Ashworth-Lord**

Reflecting the strategy of the fund's namesake, investment legend Warren Buffett, Ashworth-Lord says he practises 'business perspective investing', which asserts that a share represents a fraction of a real business, so there is no philosophical difference between buying shares in a company and buying the business outright.

Accordingly, the manager focuses on tangible factors such as comprehensible business models, transparent, unleveraged balance sheets and strong cash flow when choosing which companies to invest in.

Since the fund's launch, it has delivered a compound annual growth rate of close to 14 per cent – significantly more than the 8 per cent annual growth delivered by its benchmark, the FTSE All-Share index, over the period. Ashworth-Lord uses the All-Share so he can be free to invest in any company regardless of market capitalisation. The manager also holds 3.5 per cent cash.

14 PER CENT ANNUAL GROWTH RATE



The 'A' share class was monitored for this award, with a three-year return of 68.3 per cent.

REGULAR OUTPERFOMER *despite the risks*

HIGHLY COMMENDED SMALLER FUND

AXA Framlington UK Mid Cap

Like the winner in this category, AXA Framlington UK Mid Cap has been a regular outperformer since its launch, which was also in March 2011. Under the management of Chris St John, the fund has returned 77.6 per cent over three years to 31 March – 35 per cent more than the average UK all companies fund. This is 10 per cent more than the winner in this category over the period; however, St John has delivered this with slightly more risk, as defined by the fund's three-year Sharpe ratio.

This is perhaps surprising considering St John's more diversified approach – currently the fund has 77 holdings compared to ConBrio's 27 – which arguably goes some way to vindicating Ashworth-Lord's investment views regarding volatility. St John also takes more of a macro-economic approach, as well as focusing on business fundamentals.

Like many other medium and small-sized company funds, AXA Framlington UK Mid Cap has suffered a disappointing 12 months, returning just 4.4 per cent over the year to 31 March compared to 5.8 per cent from the sector. However, performance has picked up in recent months and St John remains positive on the UK market: 'At some point, equity markets will need to digest an interest rate rise and this will certainly provide a major test, particularly given the current market rating. However, company fundamentals remain solid so we see a potential uptick in volatility as an opportunity to buy,' says St John.

The 'Z' share class was monitored for this award, with a three-year return of 77.6 per cent.