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Fund of the week

'I ditched retail – it has never made me any money'

Keith Ashworth-Lord, of the SDL UK Buffettology fund, tells Jessica Beard how the pandemic forced him to rid his portfolio of an entire sector

Investors in retail stocks have lost a lot of money this year as the industry ground to a halt during lockdown and is now taking baby steps while the country wakes from hibernation.

Keith Ashworth-Lord was no exception, but was quick to sell all his investments in the sector. His SDL UK Buffettology fund avoided the worst of the damage: it has lost 9.9pc since the start of the year, while the average fund has fallen by 16.5pc.

The £1.3bn portfolio is named after the famed investor Warren Buffett and here, Ashworth-Lord tells *Telegraph Money* how he has used the unique investment style of the "Sage of Omaha" to beat the market over the past nine years.

WHO IS THE FUND FOR?

Investors need a long-term horizon and to look at stock market investments as something that will make them rich slowly rather than in a hurry. We aim to invest in the very best companies we can find and then hold them for ever and a day.

HOW DO YOU PICK STOCKS?

The fund name is a tip of the hat to the way the world's most famous investor, Warren Buffett, and his investment partner, Charlie Munger, invest.

We look for businesses that have what Mr Buffett calls an "economic moat": those that have a very specialised or unique product or service and can keep competition at bay. We look at profit margins because if a company is growing, its margins should be developing.

We want a company to have a high "return on equity" – in other words, profitability – and are not interested unless that figure is at least in the high teens. For example, we hold Bioventix and Games Workshop, which consistently make 60pc returns on equity.

Holdings also need to convert a lot of accounting earnings into free cash flow, because that is what dividends get paid from.

IN FOCUS

Keith Ashworth-Lord
Dart Group

Dart Group, parent company of Jet2, has an awful lot of recovery potential but is currently well down on its uppers. The business was seriously affected by lockdown but will recover even though the current year is an earnings write-off. We bought it at 80p in 2012 and it rose to £20 in early 2020. Then Covid-19 struck and it fell to £5. We have no doubt that it will survive.

HAVE YOU CHANGED YOUR INVESTMENTS DURING THE PANDEMIC?

The fund's performance has mirrored the market's, although it has not fallen quite as much. I've completely cleared out all of our exposure to retail. I've never made money in retail. I don't know why I kept going back to it.

We had three companies there that have been sold: Next, Revolution Bars and Restaurant Group. The minute the pandemic started and it became apparent that the hospitality sector was going to be particularly hard-hit, we decided to sell Restaurant Group.

In my whole investing lifetime, 35 years, I have never had a company go bust under me and I wasn't about to start now. We took a very cautious approach to anything that looked like it might not survive.

That was a very conscious decision because I don't like selling. My portfolio turnover over the past 12 months is 3.5pc, which implies a 30-year holding period. And 3.5pc is high for my portfolio; it's usually 1.5pc.

WHAT HAS BEEN YOUR BEST INVESTMENT?

Right out in front is Games Workshop. I bought it in 2011 at £3.73 a share and now we are at about £85. Liontrust Asset Management was another early entrant into the fund at 70p in 2011 and that has grown to about £12.75 now. Bioventix is a more recent addition: we bought it in 2014 at £7.12 and it is now about £42. I'm very happy to own all of these. They gave us the most bangs for our bucks and I have no intention of selling.

AND YOUR WORST?

We lost the most money on Restaurant Group. I kick myself about it because when they did the takeover of Wagamama I thought they woefully overpaid and got taken to the cleaners by the previous owners.

Why on earth did I give the new management the benefit of the doubt? I should have walked away. If I had, we would not have lost anything like as much as we did. We bought it in April 2016 at £3.61 a share and sold for just 20pc of that.

HOW ARE YOU PAID AND DO YOU INVEST IN THE FUND?

We are paid a basic salary and there's a cash bonus scheme depending on performance: above target gets a 50pc cash bonus and below gets nothing. Every last drop of money I have in equity investments is in this fund, including my pension, my Isas and my family's pensions and Isas.

IF NOT A FUND MANAGER, WHAT WOULD YOU BE?

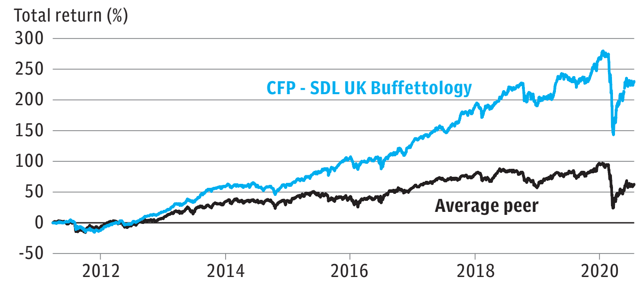
My first degree was in astrophysics and my first job was designing control systems for missiles. I would love to have joined the Nasa Astronaut Corps, but I went back to do a master's in management and ended up in financial services.

£3,300
What £1,000 invested in 2011 would be worth now

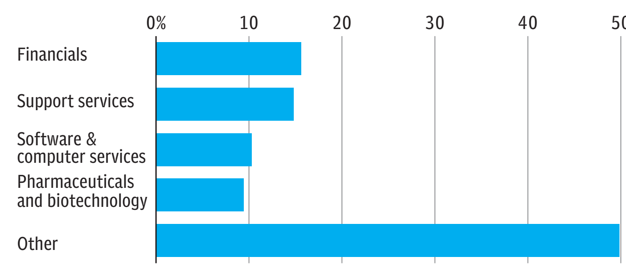
SDL UK BUFFETTOLOGY FUND

FE fundinfo

How does the fund measure up?



Where does the fund invest?



SOURCE: FE FUNDINFO

KEY FACTS

Launch date
March 2011

Total return since launch
230pc

Total return year to date
−9.9pc

Annual charge
1.19pc

Total number of stocks
31

Top 10 holdings (as of 01/07/2020)

1. Games Workshop	8.5pc	6. Focusrite	3.5pc
2. Liontrust Asset Management	5.7pc	7=. RWS Holdings	3.4pc
3. London Stock Exchange	4pc	7=. Bioventix	3.4pc
4=. Experian	3.6pc	9=. Rollins	3.2pc
4=. AB Dynamics	3.6pc	9=. Dechra Pharmaceuticals	3.2pc

Markets Hub
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