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Money

# Fund that beat Buffett bets on Britain's bright new businesses

## Some of the biggest names in investment are making the most of cheap UK stocks, says **Mark Atherton**

A disciple of Warren Buffett who has managed to produce higher returns than the great man himself has started a new fund focusing on the UK. Keith Ashworth-Lord launched the Buffettology fund in 2011 adopting the same approach as his mentor, which consists of spotting investments that are undervalued and holding them for the long term.

Ashworth-Lord managed to generate twice the returns for his investors over the nine years since he launched the Buffettology fund compared with the returns of Buffett's company, Berkshire Hathaway.

His new plan is for the Buffettology Smaller Companies Trust to launch at the end of this month. It will invest in a concentrated portfolio of 30-50 smaller companies worth from£20 million to £500 million.

Just as Buffett does, the managers of the new trust will aim to hold stocks for at least five to ten years and — again, like Buffett — they say that they will be seeking out "excellent businesses bought at a fair price".

British shares have been out of favour with investors in recent years because of Brexit, but Ashworth-Lord is optimistic about the prospects for smaller British businesses. He believes that the sector will offer plenty of attractive investment opportunities because it is less well researched. The trust will have an annual charge of 0.65 per cent.

The move reflects a growing feeling that the UK stock market is under-valued, which is driving fund managers to create a range of new investments featuring British companies. The investment giant Schroders is aiming to raise £250 million in an initial public offering (IPO) for its British Opportunities Trust. Tellworth Investments, however, ditched its planned British Recovery & Growth Investment Trust days before its launch after it failed to reach its target of between £100 million and £150 million.

The asset manager Sanford DeLand runs the Free Spirit fund, which is heavily invested in UK equities.

Fund managers are thinking that, with the stock market having taken a battering over the four years since the Brexit vote, UK shares look very cheap. They aim to identify and invest in some of the best bargains, many of which they expect to find in the mid and small-cap sectors.

The Schroders trust plans to seek out high-quality small and medium-sized UK companies that are looking for fresh cash to grow. It will focus on sustainability, with the aim of encouraging the companies it invests in to incorporate the UN's sustainable development goals, including action on climate change. The annual charge is 0.6 per cent.

However, the fund's target of hitting £250 million may be ambitious with sentiment about the UK still negative.

Rob Morgan, from the wealth manager Charles Stanley, said: "All these fund managers may have identified an opportunity. The question is whether there is enough appetite for investing in the UK right now.

The lack of interest in UK stocks at present is demonstrated by the fact that trusts investing in the UK stand at an average discount of 12 per cent to their real, or their net-asset value. It is quite possible that, after they launch, these trusts will also start trading at a discount to their net-asset value, meaning that investors could pick them up more cheaply then."

Ashworth-Lord said Buffett is "the sorcerer and I'm the apprentice, let's be honest. I try and follow what he does to the best of my interpretation".

He has met Buffett and has attended Berkshire Hathaway's shareholder meetings. Among Buffettology's biggest holdings are Games Workshop, a manufacturer of miniature war games, the London Stock Exchange and Croda International, a chemicals company.

When *The Times* this summer compared the performance of the Buffettology fund with that of Berkshire Hathaway since March 2011, it found that the pupil had beaten the master.

Shares in Berkshire Hathaway had risen by 110 per cent, but the price of the Buffettology fund had gone up by 210 per cent.

Even if you factor in the rise of more than 20 per cent in the US dollar over that time, which would lift the Berkshire Hathaway price rise to 133 per cent for a UK investor, it is still a long way behind Buffettology.

One of the reasons for his fund's outperformance, Ashworth- Lord said, was its size. "Berkshire Hathaway [market cap £513 billion] needs to make big deals to make a difference," he said. "

The Buffettology fund, at £1.3 billion, is smaller and more nimble."

The new Buffettology Smaller Companies Trust looks set to be smaller and more nimble still.

**210%**
increase in price of Buffettology fund since 2011

**110%**
return for investors in Warren Buffett's company

**0.65%**
fee on the Buffettology Smaller Companies Trust