LF Blue Whale Growth Fund

April 2018

Data as at 31.03.18

BLUE WHALE

FUND FACTS

Fund launch date	28.09.17
Fund type	UK OEIC
Lead Fund Manager	Stephen Yiu
Fund size	£43m
No. of holdings	30
IA sector	Global
Benchmark	MSCI World Index Net GBP
Base currency	GBP
Dividend dates	End of February End of August
Gross yield	1.6%
Authorised Corporate Director (ACD)	Link Asset Services
Depositary	Northern Trust Global Services

CHARGES

Retail AMC (OCF)
1.0% (1.17%)

Institutional AMC (OCF)
0.75% (0.92%)

Initial charge
0.0%

Performance fee
0.0%

TOP 10 HOLDINGS

- Alphabet
- Microsoft
- Electronic Arts
- Facebook
- Starbucks
- PayPal
- Adobe
- UnitedHealth
- Mastercard
- Salesforce

GEOGRAPHICAL BREAKDOWN

GEOGRAPHICAL BREAKDOWN	%
US	76.6
UK	15.2
Europe	4.6
Cash	3.6

SECTOR BREAKDOWN

SECTOR BREAKDOWN	%
Technology	38.3
Consumer Goods	25.4
Consumer Services	11.3
Financials	9.3
Health Care	7.4
Industrials	4.8
Cash	3.6

WHY LF BLUE WHALE GROWTH FUND?

- Hand-picked by Peter Hargreaves to run a substantial portion of his family's wealth
- Concentrated, best ideas portfolio avoids index hugging and enables material outperformance of the market
- A truly active, two-pronged investment process focused on both bottom-up fundamentals and valuation
- Able to choose from a global universe of stocks
- Provides high US exposure which helps UK investors diversify their portfolio

INVESTMENT OBJECTIVE

The investment objective of the fund is to achieve capital growth over the long-term by investing in equities on a global basis, with a focus on developed markets.

The portfolio will be concentrated, generally comprising between 25 to 35 stocks.

In our view investments must fall into the below criteria in order to qualify for selection within the portfolio;

1. The business must be fundamentally attractive, this means
   - it has the ability to grow and improve profitability over the long term
   - it must not face structural or imminent cyclical issues
2. The business must have an attractive price;
   - the business must have a current valuation that is attractive relative to its future growth and profitability
   - we expect the business to receive favourable revisions of medium-term consensus growth and profitability expectations

These criteria enable the Investment Manager to select investments from a broad range of geographies and sectors with no particular sector or style bias.

The Investment Manager will conduct detailed bottom-up fundamental research on each potential investment and in most cases produce their own financial model and forecasts of future performance.

SHARE CLASS DETAILS

Share Class	ISIN
R Acc	GB00BD6PG787
R Inc	GB00BD6PG894
I Acc	GB00BD6PG563
I Inc	GB00BD6PG670

PLATFORM AVAILABILITY

Hargreaves Lansdown
AJBell Youinvest
Pershing
LINK Asset Services
ascentric
transact take control
MFEX Mutual Funds Exchange
Charles Stanley Direct
allfunds BANK

I PUT MY MONEY WHERE MY MOUTH IS

One of the questions I am most frequently asked is where to invest in today's economic and political environment. Not for 40 years has political ineptitude and intrusion entered so broadly into the financial world. Combined with a bizarre economic landscape, this makes choosing which assets to invest in a tricky conundrum.

Even 40 years ago there was a clear option for those looking to invest. Real assets - property, gold, chattels etc. - were buoyed by rampant inflation during the 1970s (25% per annum and above in some years). Back then you could borrow at rates which were considerably lower than the inflated appreciation of the assets acquired. But the lack of inflation at those levels make today's decisions very different and consequently real assets look less attractive.

Where property is concerned, there is a further factor weighing on its appeal - a punitive rate of stamp duty which has curbed property transactions.

I am not convinced interest rates are going to rise with any significance in the short term, despite the Governor of the of The Bank of England indicating otherwise. In the UK we wouldn't want the cost of borrowing or the value of the pound to rise - the economy is not booming!

Nevertheless, the price of bonds is already discounting a rate rise which means there is little potential.

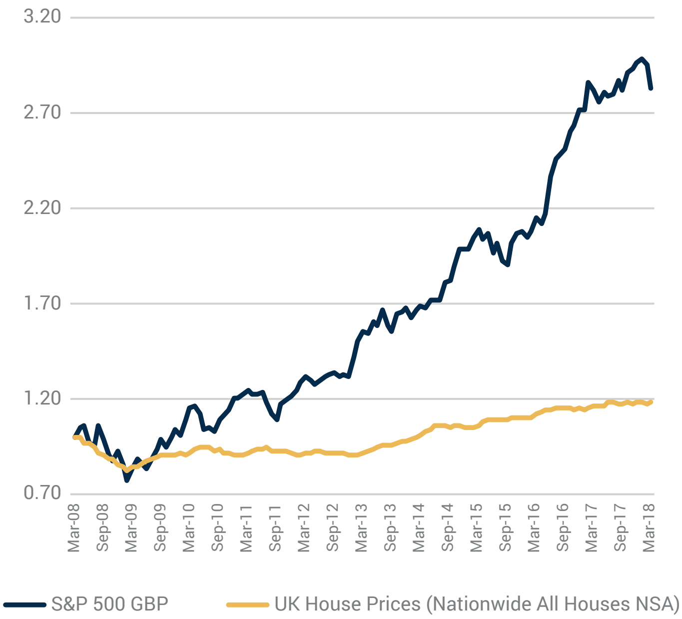
Having discounted property, other real assets and fixed interest there is one area which I believe still provides value. I concede that shares seem expensive by historic standards, but the circumstances are unique. I believe a philosophy of holding cash with a view to invest further down the line would prove unfruitful, as opportunity after opportunity will be missed. Whilst other assets are poorly positioned, or have values so far inflated above that of the stock market, I believe an investment in the stock market at this very moment still seems like the sensible option.

There is a lot of noise that the market is expensive, there has been a lot of similar noise for a couple of years now, yet equity prices keep going up. Conversely, there was hardly any noise in 2007 that the market was expensive, yet we all know what happened in 2008.

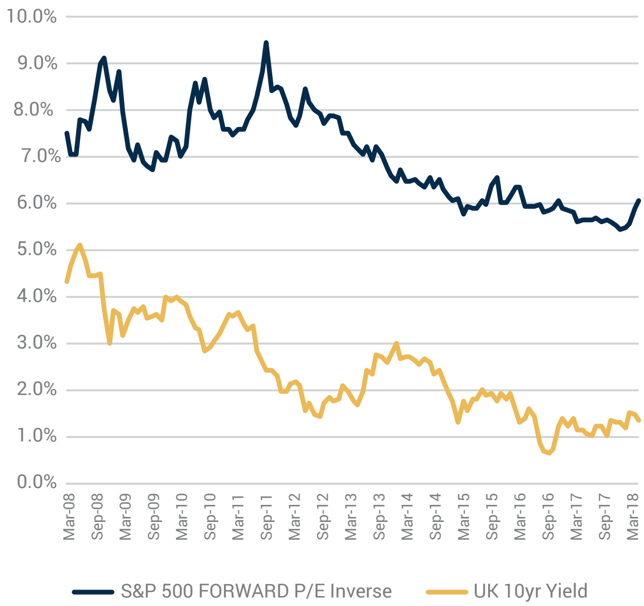
I put my money where my mouth is – in excess of 90% of my wealth is invested in the stock market and I plan to add to this on an ongoing basis.

By Peter Hargreaves

S&P 500 Price vs. UK House Prices
Last 10 Years



S&P 500 Earning Yield vs. UK 10yr Bond Yield
Last 10 Years



Please note that this information is for informational and illustrative purposes only. It is not an investment recommendation.

Q&A

IF YOU HAVE A QUESTION FOR THE TEAM AT BLUE WHALE, PLEASE GET IN TOUCH BY EMAIL AT INFO@BLUEWHALE.CO.UK, OR ON TWITTER @BLUE_WHALE_AM.

What is your view on how political headwinds such as Donald Trump's new found interest in trade wars will impact the stock market? What will be the result of his apparent crackdown on Amazon?

Political outcomes are notoriously hard for investors to predict. The current environment has raised the cost of capital which has hurt valuations. For the overall market, we focus on where risk premiums in the market sit and how they might move. For now, we are comfortable but we remain vigilant and continue to watch the data each day. As for the impact on any individual stock from political actions, we focus on fundamentals. What is the business model, where are the competitive advantages and can something happen politically that will change this. We think the big tech companies will have to pay more tax but we don't see their business models breaking anytime soon.

Is Brexit in the UK going to be a factor in your stock selection?

We don't have significant UK domestic exposure in our portfolio currently, not because of Brexit but because of the lack of UK domestic listed companies that meet our investment criteria. We look at top-down macroeconomic issues as part of our risk management process, not as part of our stock selection process – in other words, we will never take a macro view and turn that into a stock idea, but we will look at our stock selections and consider any macro risk we are taking.

You have mentioned before your 'universe' of stocks from which you pick, but how many are you currently researching/considering for investment vs how many you currently hold?

We have a list of about 100 stocks we consider meet our investment criteria, of which c.30 are in our portfolio. As well as continuing to perform additional research on the remaining 70, we are always scouring the global markets for new ideas.

Many fund managers like the buy and hold approach. I notice this is something you have not discussed as being an important part of your investment philosophy. Have I missed something or do you not consider a buy and hold approach to be beneficial?

We invest in a stock when the company meets our investment criteria and we consider valuation to be attractive. If either of these two factors change we will sell the stock. We don't refer to "buy and hold" because many investors take this to mean that once you have bought a stock you will never sell. Fund managers who use the "buy and hold" label don't actually do this and will sell a position if they believe it is too expensive or if they think the business model is broken. Fundsmith says they "aim" to buy and hold but quite sensibly Terry Smith has sold positions over the past few years due to the reasons we have outlined above.

When will your fund be available via more platforms?

It is currently possible to buy the LF Blue Whale Growth Fund across a variety of platforms including Hargreaves Lansdown, Charles Stanley, AJ Bell, Transact and Ascentric. However, we are aware that there are a number of platforms that it is still not possible to buy the fund through. We are in constant contact with a variety of different companies as we would like our fund to be available to the widest possible audience. We are currently speaking to Cofunds, Interactive Investor and Funds Network, amongst others, to ensure we are on their platform as soon as possible, however, at this point they have not been able to provide us with a date as to when this may be. If you would like the fund to be available with your current provider, it may help to speak to them directly to request the LF Blue Whale Growth Fund appears in their list of available investments.

What's your outlook for Facebook and the US tech sector as a whole as a result of the recent news regarding data privacy?

The Cambridge Analytica story put pressure on Facebook's share price which was followed by high levels of volatility and algo-driven buying and selling. We try to ignore headlines and market sentiment and focus on long-term fundamentals. Do we believe everyone is going to delete Facebook? No. Do we believe expenditure on digital advertising will continue to grow? Yes. Will there be more regulation? Sure, but we believe the regulator will want to work with Facebook – if they destroy it, they create a huge vacuum for a host of unregulated social networking companies to fill which becomes even harder to police. So we think Facebook's business model is still in-tact and when you remember they also own Whatsapp and Instagram, we think the current valuation is compelling

The tech sector consists of Software, IT Services, Communications Equipment, Technology Hardware, Electronic Equipment and Semiconductors etc. – in other words, it consists of many different sub-industries and to give our view on the US tech sector as a whole would require us to give our view on each. From a high level, we think growth in the overall economy will be muted so companies reliant on general economic growth may struggle to grow revenue. However, there are unique opportunities in certain subsectors of the technology segment, where structural growth trends are significant. This is where high alpha opportunities can be found and any indiscriminate tech sell-off can present golden opportunities to invest in some of these companies.

IMPORTANT NOTICE - REGULATORY INFORMATION AND RISK WARNINGS

This document is issued Blue Whale Capital LLP ("Blue Whale") which is authorised and regulated by the UK Financial Conduct Authority.

If you are unsure of the suitability of the Fund to your needs or if you feel that you do not fully understand the risks of investing in it, you should contact a reputable professional financial adviser.

The document does not constitute an offer by Blue Whale to enter into any contract/agreement. The contents are aimed at all categories of client including Eligible counterparties, Professional clients and Retail clients. As the Fund is a concentrated equity fund with international exposure, Blue Whale's preference is that less experienced Retail clients gain exposure to it through the professional advice channel (Blue Whale does not advise retail investors itself) or the discretionary management channel. The Fund (as a UCITS and hence non-complex) is available to retail investors on an execution-only basis. Blue Whale believes that whilst better suited to a more experienced audience, the Fund represents a suitable investment for those new to equity investing. You must be aware that unlike holding cash in a bank account, your capital is at risk of market movement and you should not assume that your investment will be profitable. Equity investment should be seen as a long term investment normally of at least 3 to 5 years. The value of your investment can fall as well as rise so you could get back less than you invested, especially in the shorter term.

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The document may include or may refer to documents that include forward-looking statements that are based upon our current opinions, expectations and projections. We undertake no obligation to update or revise any forward-looking statements. Actual results could differ materially from those anticipated in the forward-looking statements.

There are significant risks associated with investment in the Fund referred to in the document. Investment in the Fund is intended for investors who understand and can accept the risks associated with such an investment including potentially a substantial or complete loss of their investment. Past performance is not a guide to future performance.

The value of investments and any income derived from them can go down as well as up and the value of your investment may be volatile and be subject to sudden and substantial falls.

Investment in a Fund with exposure to emerging markets involves risk factors and special considerations which may not be typically associated with investing in more developed markets. Political or economic change and instability may be more likely to occur and have a greater effect on the economies and markets of emerging countries. Adverse government policies, taxation, restrictions on foreign investment and on currency convertibility and repatriation, currency fluctuations and other developments in the laws and regulations of emerging countries in which investment may be made, including expropriation, nationalisation or other confiscation could result in loss to the Fund.

Income from investments may fluctuate. Changes in rates of exchange may have an adverse effect on the value, price or income of investments. Fund charges may be applied in whole or part to capital, which may result in capital erosion. The Authorised Corporate Director may apply a dilution adjustment as detailed in the Prospectus. The Fund is not traded on an exchange or recognised market.

The foregoing list of risk factors is not complete and reference should be made to the Fund's Prospectus, KIID and application form.

Complaints

Blue Whale maintains a complaint handling policy and procedures in accordance with which it handles complaints, including complaints made by complainants who are eligible to bring a complaint to the Financial Ombudsman Service, the independent statutory dispute-resolution body for the financial services industry in the United Kingdom.

Advice

No information contained in this site should be deemed to constitute the provision of financial, investment, taxation or other professional advice in any way. You should consider obtaining professional financial advice before proceeding with any investment.

Taxation

Taxation will depend on individual financial circumstances and the country of residence. You should consider obtaining professional advice on taxation where appropriate before proceeding with any investment.