

## FUND FACTS

Fund	LF Blue Whale Growth Fund
Fund Launch Date	11 September 2017
Lead Fund Manager	Stephen Yiu
Co-Manager (October 2019)	Daniel Allcock
Fund Size	£1.0bn
IA Sector	Global
Fund Type	UK OEIC
Base Currency	GBP
Dividend Dates	End of February, August
ACD	Link Fund Solutions (LF)
Depository	Northern Trust Investor Services
Dealing	Daily at Noon
Initial Charge	0.0%
Performance Fee	0.0%

## PORTFOLIO FACTS

No. of holdings	26
Avg. market cap	>£100bn

### Top 10 Holdings %

Adobe	Intuit	59.0
Alphabet	Mastercard	
ASML	Microsoft	
Atlassian	Nvidia	
Charles Schwab	Veeva	

### Geographical Breakdown %

US	73.4
Europe	20.9
Asia Pacific	4.2
Cash	1.4

### Sector Breakdown %

Technology	54.4
Healthcare	16.9
Communication Services	11.9
Consumer Discretionary	7.0
Financials	6.6
Industrials	1.8
Cash	1.4

## SHARE CLASS DETAILS

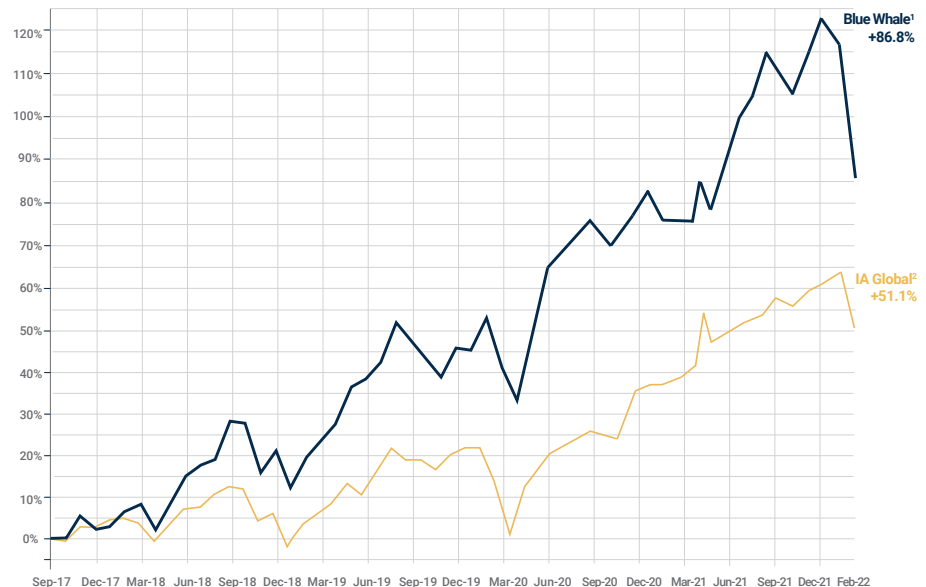
Share Class	OCF	Minimum	ISIN
I Acc (GBP)	0.87%	£10m	GB00BD6PG563
I Inc (GBP)	0.87%	£10m	GB00BD6PG670
R Acc (GBP)	1.12%	£1,000	GB00BD6PG787
R Inc (GBP)	1.12%	£1,000	GB00BD6PG894
R Acc (EUR)	1.62%	€1,000	GB00BYVQ1C38

## AWARDS AND RATINGS



## PERFORMANCE

“Committed to delivering consistent significant outperformance”



	To Date	2022	2021	2020	2019	2018	Since Launch	Annualised
<b>Blue Whale<sup>1</sup></b>	<b>-14.2%</b>	<b>+20.8%</b>	<b>+26.4%</b>	<b>+27.6%</b>	<b>+8.6%</b>		<b>+86.8%</b>	<b>+15.3%</b>
IA Global Average <sup>2</sup>	-7.2%	+18.0%	+14.8%	+22.1%	-5.6%		+51.1%	+9.9%
<b>Outperformance</b>	<b>-7.0%</b>	<b>+2.8%</b>	<b>+11.6%</b>	<b>+5.5%</b>	<b>+14.2%</b>		<b>+35.7%</b>	<b>+5.4%</b>

Past performance is not a guide to future performance.

<sup>1</sup>I class Acc shares, net of fees priced at midday UK time, source: Bloomberg. <sup>2</sup>IA Global Sector average, source: FE Fundinfo. Chart data plotted at monthly intervals; data as at the last day of the calendar month.

## WHAT WE DO

- Aim to buy and hold high quality businesses at an attractive price.
- In-house research underpinning a high-conviction portfolio of 25-35 stocks.
- Significant resources dedicated to internal financial modelling and proprietary valuation metrics.
- Focus on a genuinely active, valuation-driven approach.

### Investment Objective

The Investment Objective of the Fund is to achieve capital growth over any five year period, after all costs and charges have been taken.

### Investment Strategy

In selecting investments for the portfolio, the Investment Manager will identify companies which, based on its analysis, meet the following criteria:

- have the ability to grow and improve profitability over the long term;
- have a current valuation that is attractive relative to their future growth and profitability.

The Investment Manager will select companies from a broad range of geographies and sectors with no particular sector or style bias.

### Risk Management

- UK UCITS-compliant.
- Assessment of company specific risk factors, including those related to ESG, that might materially impact the business's sustainable return on investment.



## 2021 YEAR IN REVIEW

by Stephen Yiu



"We are living in unprecedented times" was the buzz-phrase for 2020 and much of 2021. However, I think many of us are now starting to feel that things are feeling quite "precedented". This explains the truth of the adage "The only certainty is uncertainty".

Positioning ourselves to ride out uncertainty in the market is very straight forward in theory – buy high quality businesses, buy them at a great price, have a strict valuation discipline. 2021 has once again proved this to be a sensible strategy. The fund delivered performance of 20.8% vs the IA Global Sector average of 18% (LF Blue Whale Growth Fund I Class). Whilst outperformance is always pleasing, the end of the year saw much of our outperformance eroded as the shine came off the markets following a global surge in Covid cases.

Selected best performers in the fund were Microsoft (benefitting from working from home), Intuit (using its accounting and tax-filing technology to cut out the requirement for expensive face-to-face accountancy meetings), Atlassian (offering the best software developers' collaborative working tools), and Alphabet (expanding its footprint as the largest holder of digital real-estate).

Our biggest disappointment in the portfolio was Nintendo. A global shortage of microchips led to a delay in the launch of the Nintendo Switch Pro, leaving consumers underwhelmed with a mediocre Switch upgrade instead. In turn, the share price performance was disappointing, however, we believe the investment rationale remains valid.

One area in which we see ourselves as differing from many managers is that we are willing to make significant changes in the portfolio in search of outperformance. Much of our time is committed to researching those companies that sit within our own prescribed investable universe of around 100 stocks. However, we also give considerable time to idea generation – finding new investment ideas from around the globe. Accordingly, new additions to the portfolio this year were Nvidia, ASML, Kering and Sartorius. Making way were Unilever and Moncler.

Amazon was also a surprise make-weight in the portfolio owing to increased concern over its retail business, and the potential impact of inflation on the retail-arm's costs, and also concerns over AWS (Amazon's cloud computing arm) market share when compared to Microsoft and Alphabet.

Whilst we are a "bottom-up" fund – designing our portfolio based on company fundamentals – we pay close attention to the macro environment. In particular, the spectre of inflation led to much scrutiny of our holdings in the year. We are pleased to report the portfolio held (and continues to hold) a variety of companies in differing sectors that offered, what we believe to be, an inflation-busting duo – superior pricing power and high gross margin. We wrote more about this in our article ["Covflation – The opportunities for investors in this unique inflationary environment"](#).

For the fund, two key milestones were hit in 2021. Firstly (whilst past performance is not necessarily a guide to future performance), in under four years the fund had doubled its initial investors' money – launching at £1 in September 2017 the unit price hit £2 in July of 2021. Secondly, the fund reached £1 billion under management, demonstrating investors' belief in our process and performance. We hope these two milestones give both existing, and potential new investors, confidence going forward.

Our truly active approach to managing the LF Blue Whale Growth Fund means we can adapt to the world as it changes. Our robust process continues to evolve, but is based on two key elements:

- We continue to invest in high quality companies: the ability of companies to exhibit fundamental outperformance is constantly in flux and our team of investment professionals will continue to chart these changes.
- We maintain a strict valuation discipline: the market is a dynamic beast and prices often diverge from what we see in the fundamentals – but we will never invest into low quality companies (or businesses) that may be at the mercy of cyclical economic gravity.

Looking forward, we are excited about 2022. The portfolio is positioned to take advantage of what we see as the key issues of the year to come – continued digital transformation, 5G rollout and a global economy cautiously emerging from pandemic. We are also mindful of possible pitfalls over the next year – chief amongst them being inflation – and we have attempted to position the portfolio to defend against these pitfalls accordingly.

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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 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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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.

<https://bluewhale.co.uk/documents>

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## PLATFORM AVAILABILITY

