

### FUND FACTS

Fund launch date	11 September 2017
Fund type	UK OEIC
Lead Fund Manager	Stephen Yiu
Fund size	£80m
No. of holdings	25
IA sector	Global
Base currency	GBP
Dividend dates	End of February, August
Portfolio yield*	0.7%
Authorised Corporate Director (ACD)	Link Fund Solutions
Depository	Northern Trust Global Services
Initial Charge	0.0%
Performance Fee	0.0%

### TOP 10 HOLDINGS

		Top 10	%
• Adidas	• Guidewire	53.5	
• Adobe	• Microsoft	13.9	*FAANGs
• Alphabet*	• Salesforce		
• Amazon*	• UnitedHealth		
• Cisco	• Veeva		

### GEOGRAPHICAL BREAKDOWN

	%
US	65.6
UK	11.0
Europe	7.2
Asia	1.4
Cash	14.8

### SECTOR BREAKDOWN

	%
Technology	39.6
Consumer Discretionary	14.9
Health Care	12.9
Communication Services	9.0
Consumer Staples	8.9
Cash	14.8

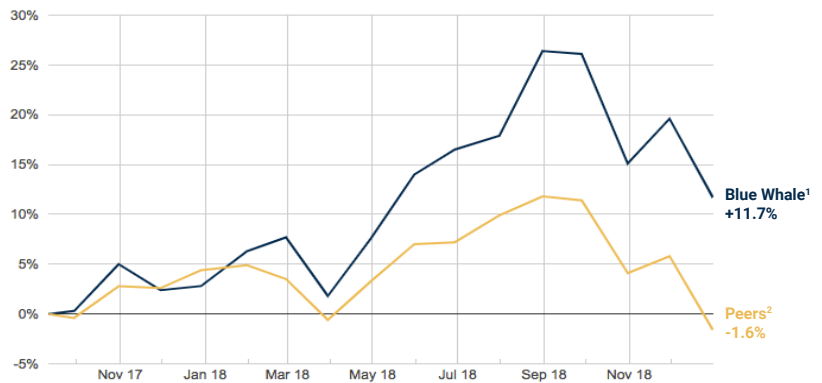
### SHARE CLASS DETAILS

Share Class	OCF	ISIN
I Acc (GBP)	0.89%	GB00BD6PG563
I Inc (GBP)	0.89%	GB00BD6PG670
R Acc (GBP)	1.14%	GB00BD6PG787
R Inc (GBP)	1.14%	GB00BD6PG894
R Acc (EUR)	1.64%	GB00BYVQ1C38

### PLATFORM AVAILABILITY



### PERFORMANCE



	Blue Whale <sup>1</sup>	Peers <sup>2</sup>	Rank <sup>3</sup>
2018	+8.6%	-5.7%	#4 of 296
Since Launch	+11.7%	-1.6%	#6 of 289

<sup>1</sup> class Acc shares, net of fees priced at midday UK time, source: Bloomberg. <sup>2</sup>IA Global Sector, source: Blue Whale Capital. <sup>3</sup>Relative to funds in IA Global Sector, source: Blue Whale Capital. Chart performance data plotted at monthly intervals; data as at the last day of the calendar month. Past performance is not a guide to future performance.

### WHY 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;
  - 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.

### FUND MANAGERS' REVIEW OF 2018



#### Strategy

The Fund was launched in September 2017. The strategy of the Fund is to invest in a concentrated portfolio of 25-35 equities from across the globe utilising a detailed bottom-up research process, unconstrained by sector allocations. We aim to invest in companies which have the ability to grow profitably over time which our detailed analysis indicates are undervalued by the market. We pay

particular attention to the development of new technology and look to avoid investing in companies that may face structural issues with their business models as a result.

#### Market Commentary

The Fund outperformed what is perhaps the most obvious benchmark – the MSCI World Net GBP Index – by 12% in 2018. It outperformed the FTSE 100 Index, which is relevant to many of our UK investors, by more than 17%. The Fund achieved the 4th highest performance in 2018 in the IA Global Sector which contains around 300 funds in total.<sup>1</sup>

The first half of the year saw high levels of market volatility in February and March with the “VIX” volatility index spiking to over 35, a level last seen in the middle of the Eurozone crisis in 2015. Despite this surge in volatility, financial conditions remained favourable and financial markets bounced back from April through September with the S&P 500 index reaching an all-time high on 20th September. However, from September onwards financial conditions tightened considerably due to the aggressive tone struck by the US Federal Reserve in regard to raising interest rates. Exacerbated by a collapse in the oil price, credit spreads have risen significantly in both investment grade and high yield markets and high levels of volatility have returned. From the peak in September through to year-end, the S&P 500 index declined more than 14%. As these conditions developed in October, we found it increasingly difficult to identify new ideas at attractive valuations and the valuations of some existing holdings became unattractive. Therefore, our cash position has been elevated in the final three months of the year. At year-end our cash position was 15% of the net asset value of the portfolio. We expect that when financial conditions return to being more favourable, we will be able to utilise our cash position in new ideas with much more attractive valuations.

The main contributors to our performance in 2018 were technology and health care stocks. Current technology holdings Alphabet, Microsoft, Amazon, Adobe, Salesforce and PayPal all delivered returns well in excess of the indices referenced above. This was due to strong earnings growth which exceeded the expectations of market participants. We believe the market continues to undervalue companies that can achieve high long-term sustainable growth, particularly those with exposure to cloud computing and cashless technology. Current health care holdings UnitedHealth Group, Veeva Systems and Smith and Nephew were also strong contributors.

Other strong contributors where we have exited the positions due to stretched valuations were Red Hat, MasterCard, Intuit, Zoetis, Moncler and Whitbread. Early in the year we also exited our holdings of gaming companies Electronic Arts and Activision Blizzard. The overnight success of the free-to-download hit game Fortnite cast some doubt on our long-term thesis on these stocks, which depends on the willingness of gamers to pay to download games. These stocks have since underperformed the market significantly with both stocks down more than 30% since our exit.

In summary, we are very pleased with the performance of the Fund since inception. Although current financial conditions mean we are cautious in the near-term, we remain optimistic about the long-term future growth prospects.

<sup>1</sup>Source: Bloomberg. The indices are used by the Investment Manager for comparison. The Fund does not have a formal Prospectus benchmark.

*Stephen Yiu*

*Lead Fund Manager*

Please remember that past performance is not a guide to future performance and that your capital is at risk. Please note also that references to portfolio companies do not constitute investment recommendations.

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.

The contents of this document are based upon sources of information believed to be reliable, however, save to the extent required by applicable law or regulations, no guarantee, warranty or representation (express or implied) is given as to its accuracy or completeness and, Blue Whale, its members, officers and employees do not accept any liability or responsibility in respect of the information or any views expressed herein. All data is sourced from Blue Whale unless otherwise stated.

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.