

## 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	£788m
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	27
Avg. market cap	>£100bn

### Top 10 Holdings %

ASML	Microsoft	52.4
Charles Schwab	Nvidia	
Dexcom	Sartorius	
Lam Research	Veeva	
Mastercard	Visa	

### Geographical Breakdown %

North America	67.2
Europe	23.9
Asia Pacific	3.9
Cash	5.0

### Sector Breakdown %

Technology	46.2
Healthcare	17.8
Consumer Discretionary	8.2
Communication Services	6.9
Financials	6.6
Industrials	5.2
Energy	4.2
Cash	5.0

## SHARE CLASS DETAILS

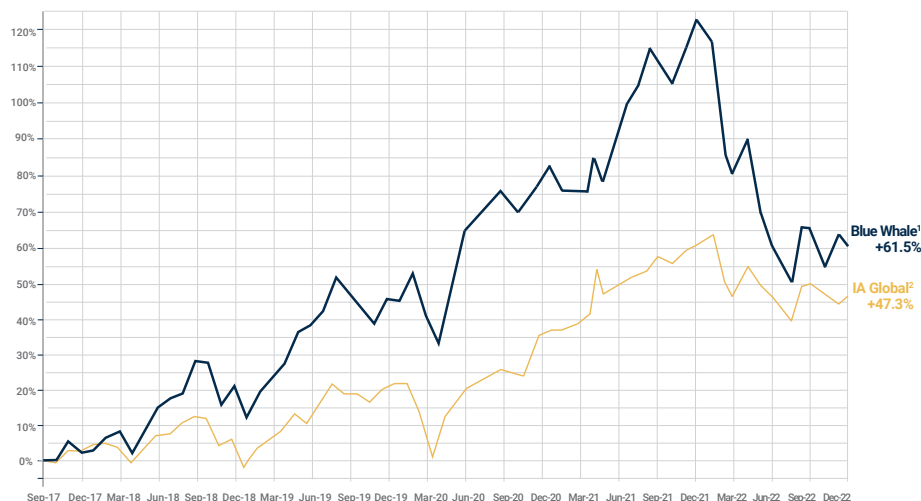
Share Class	OCF	Minimum	ISIN
I Acc (GBP)	0.83%	£10m	GB00BD6PG563
I Inc (GBP)	0.83%	£10m	GB00BD6PG670
R Acc (GBP)	1.08%	£1,000	GB00BD6PG787
R Inc (GBP)	1.08%	£1,000	GB00BD6PG894
R Acc (EUR)	1.58%	€1,000	GB00BYVQ1C38

## AWARDS AND RATINGS



## PERFORMANCE

“Committed to delivering consistent significant outperformance”



Sep-17 Dec-17 Mar-18 Jun-18 Sep-18 Dec-18 Mar-19 Jun-19 Sep-19 Dec-19 Mar-20 Jun-20 Sep-20 Dec-20 Mar-21 Jun-21 Sep-21 Dec-21 Mar-22 Jun-22 Sep-22 Dec-22

	To Date 2022	2021	2020	2019	2018	Since Launch	Annualised
Blue Whale <sup>1</sup>	-25.8%	+20.8%	+26.4%	+27.6%	+8.6%	+61.5%	+9.6%
IA Global Average <sup>2</sup>	-9.5%	+18.0%	+14.8%	+22.1%	-5.6%	+47.3%	+7.7%
<b>Outperformance</b>	<b>-16.3%</b>	<b>+2.8%</b>	<b>+11.6%</b>	<b>+5.5%</b>	<b>+14.2%</b>	<b>+14.2%</b>	<b>+1.9%</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.

## BLUE WHALE COMMITMENT

- Peter Hargreaves (Chairman) – in excess of £150m across the Blue Whale Growth strategy
- Stephen Yiu (CEO & CIO) – only invests in LF Blue Whale Growth Fund (holds no other fund)
- Blue Whale Capital – follow our £120,000 phased investment into the LF Blue Whale Growth Fund

## A BLANK SHEET OF PAPER

by Stephen Yiu



The investment process at Blue Whale has always been guided by a simple mantra – we are committed to delivering significant outperformance for our investors.

In order to do this, we have always needed to operate differently to other asset managers. Whilst many managers restrict themselves with certain

investment styles, geographies, or sectors, at Blue Whale we want to be free to explore the best opportunities of the moment, something Stephen Yiu and Peter Hargreaves discussed in our recent Live Q&A last week.

On the first day we sat down as analysts at Blue Whale we started with a blank sheet of paper. We looked for companies that had both a great business model and offered fantastic growth potential. The growth potential generally came in the shape of, what we believed to be, great company strategy and structural tailwinds to both the company and the sector it sat in. We then aimed to buy these high-quality businesses at an attractive price.

The first four years played out in much the way we had hoped – the key theme of digital transformation delivering much of the performance in these early years. But we cannot claim to have foreseen the global pandemic or the Russian invasion of the Ukraine, and what would fundamentally change in the world as a consequence.

Satya Nadella of Microsoft is quoted as saying during the pandemic they saw "two years of digital transformation in two months". This was undoubtedly beneficial for companies in their digitization journey, and therefore beneficial for investors. However, for many companies, this also closed the gap between where the share price looked to offer good value, to starting to look like fair value – therefore losing their ability to deliver outperformance for investors.

Towards the end of last year, we saw an inflection point for the fund. We started culling stocks from the portfolio that didn't offer the upside they once had, and in some cases faced serious headwinds in the form of inflation and unsettled geopolitics. Among those companies to lose their place in the portfolio were Amazon, PayPal, Facebook, and Alphabet – the fund now holds none of the famous FAANGs, once the darlings of every "growth" investor.

Whilst we would consider many of these companies to still be high quality businesses, due to where they are positioned, they lack the potential upside we are looking for to achieve the outperformance for our investors. A good example here is Alphabet, parent company of Google. When we initiated our position in Alphabet five years ago, the split between digital and traditional advertising was roughly one third digital to two thirds traditional. This obviously spelled enormous upside for digital advertising. As we sit today, the ratio has been reversed – two thirds of advertising is now in the digital realm. In other words, its penetration into the market has doubled in five years – this

structural change mathematically cannot happen again. So, whilst digital advertising and Google might take a greater share of the pie, growth from here is going to be harder.

But we are happy that many of the companies that sat in our fund a year ago still offer fantastic upside for investors. Many of these companies have been hit hard in the last year, but we feel the fundamentals are still intact, and in many cases have improved. As the future of the global economic landscape becomes clearer, we anticipate these companies will fly – the likes of Microsoft and Nvidia are prime examples.

We do not believe that the growth sectors of the last five years are necessarily the growth sectors for the next five. And where sectors do still offer opportunity, the pool has shrunk considerably. To deliver outperformance over the long term, you cannot rely on the same sector and same company to deliver year after year. It is important to keep your research broad, and your mind open to when a favoured company could see a stagnating share price.

If we look at the broad "tech" sector, for example, there is a far smaller pool of opportunities than before. This is in part due to digitization having forged on apace during the pandemic, but it is also necessary to consider the subsector to which the "tech company" belongs. Those that are most exposed to consumer discretionary spending, for example, face headwinds in the form of inflation and rising energy prices – it is therefore our belief that Amazon will not replicate its growth of the last five years again in the next five.

Accordingly, we now take out a new blank sheet of paper every day, ensuring our portfolio is constantly positioned in the best opportunities of the moment.

Looking forward, if we were to characterize a business that we are interested in, it is one which we believe will take a greater share of global GDP over the next five years. Sectors we would not have considered before – mainly due to there not being the structural drivers behind performance – are now looking far more attractive. Sectors such as energy, infrastructure, agriculture, and certain industrials. We are expanding our research into these sectors, trying to seek out where the quality lies. But we are happy to ignore these sectors entirely if an investment means lowering the bar of the high standards we set for quality in the portfolio. As our research into these new areas progresses, we will update you further. But the main thing has not changed – we still aim to buy the highest quality businesses at an attractive price, with the express aim of delivering significant outperformance for our investors.

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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.

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

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## PLATFORM AVAILABILITY

