

## 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	£845m
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	25
Avg. market cap	>£100bn

### Top 10 Holdings %

ASML	Microsoft	57.4
Atlassian	Nintendo	
Charles Schwab	Nvidia	
Lam Research	Sartorius	
Mastercard	Visa	

### Geographical Breakdown %

North America	68.4
Europe	22.0
Asia Pacific	4.3
Cash	5.3

### Sector Breakdown %

Technology	57.8
Healthcare	12.8
Communication Services	7.7
Consumer Discretionary	7.5
Financials	6.5
Industrials	2.4
Cash	5.3

## SHARE CLASS DETAILS

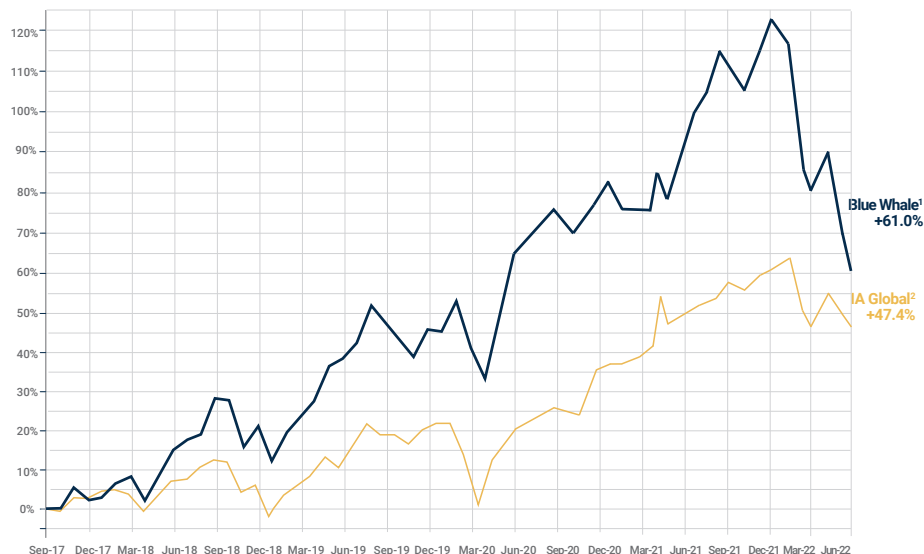
Share Class	OCF	Minimum	ISIN
I Acc (GBP)	0.83%	£10m	GB00BD6PG563
I Inc (GBP)	0.83%	£10m	GB00BD6PG670
R Acc (GBP)	1.08%	£1,000	GB00BD6PG787
R Inc (GBP)	1.08%	£1,000	GB00BD6PG894
R Acc (EUR)	1.58%	€1,000	GB00BYVQ1C38

## AWARDS AND RATINGS



## PERFORMANCE

"Committed to delivering consistent significant outperformance"



	To Date 2022	2021	2020	2019	2018	Since Launch	Annualised
<b>Blue Whale<sup>1</sup></b>	<b>-26.0%</b>	<b>+20.8%</b>	<b>+26.4%</b>	<b>+27.6%</b>	<b>+8.6%</b>	<b>+61.0%</b>	<b>+10.6%</b>
IA Global Average <sup>2</sup>	-9.4%	+18.0%	+14.8%	+22.1%	-5.6%	+47.4%	+8.6%
<b>Outperformance</b>	<b>-16.6%</b>	<b>+2.8%</b>	<b>+11.6%</b>	<b>+5.5%</b>	<b>+14.2%</b>	<b>+13.6%</b>	<b>+2.0%</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.



## 2022 PERFORMANCE UPDATE

by Stephen Yiu



As we approach the halfway point of 2022, we feel it is necessary to discuss the recent performance of the fund.

The fund has suffered over the first half of the year. We make a point to always present our performance relative to our comparator benchmark and therefore do not hide the fact the fund (LF Blue Whale Growth Fund I Acc) is down

22%, compared to the IA Global Sector average of -8% in 2022 (data for period 01/01/2022 - 30/04/2022). As a long-only fund dedicated to investment in our asset class, we will suffer when markets fall as they have in the last six months.

Here we review the performance in light of the Ukraine crisis and inflation woes which have weighed heavily on markets this year. In times of such macroeconomic headwinds, we often see a rotation into cyclical sectors such as oil and gas, utilities etc. It is therefore no surprise that the top performing companies in both the S&P 500 and FTSE 100 over the last 6 months have fallen into these categories. This brings me onto my first point – the LF Blue Whale Growth Fund is founded on a philosophy of investing in high quality businesses, at attractive valuations. The problem is that we would, in general, define businesses in the cyclical sectors as lower quality. It would be hard to argue that BT and Chevron offer the same level of quality that you would see from Microsoft and Alphabet, for example. We consequently do not sacrifice quality in the portfolio for short-term performance.

If we are invested in high-quality businesses, what has caused this underperformance year to date? Firstly, it is the rotation into cyclical stocks (miners, oil and gas in particular) which we shun. Secondly, whilst we have avoided the low-quality segment of the tech sector (Peloton, Netflix etc.), such companies are weighing on the sector as a whole. As their business models have come under greater scrutiny following the share price exuberance during the pandemic, the whole sector has taken a hit indiscriminately.

Short-term underperformance, whilst displeasing, is to be expected in any portfolio. Legendary investor Benjamin Graham famously said, "In the short run, the market is a voting machine, but in the long run, it is a weighing machine." He was explaining that trends and fashions will drive short term prices, but eventually the share price will always be representative of the quality of the business.

Running a concentrated portfolio, whilst giving us the greatest chance for long-term outperformance (the LF Blue Whale Growth Fund is comfortably outperforming our benchmark (IA Global) since launch over 4 years ago) will exacerbate short-term underperformance. Each company in the portfolio was chosen for both its quality and its attributes. We consider they are particularly appropriate in mitigating against the key macro-risk factors of the moment – inflation and the Ukraine crisis. Put simply, the portfolio has negligible exposure to Russia, and has, what we believe to be the ultimate combination of high gross margin (70% on average across the current portfolio) and strong pricing power to combat inflation. You can read more about this in our articles "[Stagflation - look for the Holy Trinity](#)" and also "[Cov-flation – the opportunities for investors in this unique inflationary environment](#)".

After thorough examination of the companies in the portfolio over the last few months, do we see any issues? In short, no, we only see opportunity. We define risk in the portfolio as potential for permanent loss of capital based on company fundamentals. It is hard to imagine a world in which the likes of Microsoft and Google do not play a key role in our day-to-day lives. The indicators show that such companies are only going to play a greater role in the global economy going forward. The portfolio invests in several companies that will see greater integration in a digitising world. The latest round of results for such companies, just last week, has vindicated this belief. The high-quality businesses in which we are invested are now offered at a discount to their price of six months ago, yet their prospects, if anything, look better. In the event of a deep recession (which we do not consider a likely outcome) stock markets and even the best long-only funds would doubtless suffer more pain. In those circumstances holding high quality companies would be even more important.

In summary, at Blue Whale we cannot promise consistent short-term returns, but we can promise to only invest in companies of the highest quality. The areas in which we invest, along with the market in general, have taken a hit over the last six months. This has allowed us to deploy cash into those businesses that we see offering the best opportunity for outperformance over the medium to long term. The macro challenges facing the world mean we have had to apply even greater scrutiny to our portfolio. A raft of key disposals in late 2021 and early this year, has mitigated some negative performance in the fund, whilst we have refined the portfolio with a view to defending against further disruption. We are confident that the portfolio is consequently positioned to benefit from secular trends, such as global digitisation, whilst defending against inflation and macro uncertainty.

It is you, our investors, that we value most highly. Many of you have been with us since the early days of Blue Whale, but we are also mindful there are a number of you who will have invested over the last couple of years. It is humbling that so many of you have continued to invest during this turbulent time, demonstrating your trust in our process, as the LF Blue Whale Growth Fund sees net inflows for the year so far. We all know that equity investments should be viewed over a five year period but we hope our medium to long-term record of outperformance, our regular updates, and the types of company in which we are invested continue to give you comfort during this disagreeable time for markets. Looking forward, we strongly believe the companies in which we are invested have the potential to deliver outperformance given at least a medium-term view.

*Please note that the information provided in this article is not to be construed as advice and any views we express on holdings or other assets do not constitute investment recommendations and must not be viewed as such. If you are unsure as to the suitability of an investment for your circumstances, please seek independent financial advice. Investments can go down in value as well as up so you may get back less than you invested. Your capital is at risk. Past performance is not a guide to future performance.*

## IMPORTANT NOTICE - REGULATORY INFORMATION AND RISK WARNINGS

This document is issued by 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 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. Please note that the views we express on companies do not constitute Investment Recommendations and must not be viewed as such.

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>

### 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.

No part of this document may be copied, reproduced or distributed to any other person without the prior written consent of Blue Whale.

## PLATFORM AVAILABILITY

