January 2023

Data as at 31.12.22

BLUE WHALE GROWTH FUND

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	£735m
IA Sector	Global
Fund Type	UK OEIC
Base Currency	GBP
Dividend Dates	End of February, August
ACD	Link Fund Solutions (LF)
Depositary	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 %	52.6
ASML	Microsoft
Charles Schwab	Nvidia
Dexcom	Sartorius
Lam Research	Veeva
Mastercard	Visa

Geographical Breakdown %	
North America	66.6
Europe	24.5
Asia Pacific	4.1
Cash	4.8

Sector Breakdown %	
Technology	45.2
Healthcare	18.5
Consumer Discretionary	7.8
Communication Services	7.4
Financials	7.1
Industrials	5.2
Energy	4.1
Cash	4.8

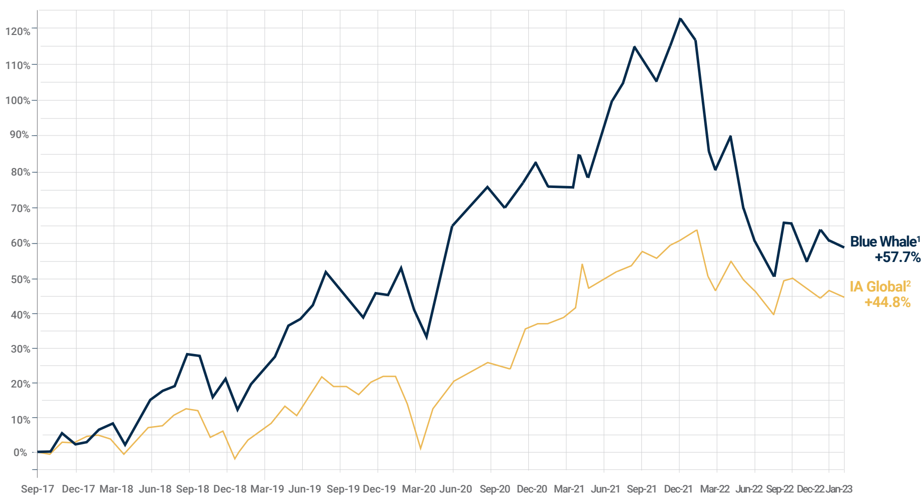
SHARE CLASS DETAILS

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"



	2022	2021	2020	2019	2018	Since Launch	Annualised
Blue Whale[1]	**-27.6%**	**+20.8%**	**+26.4%**	**+27.6%**	**+8.6%**	**+57.7%**	**+9.0%**
IA Global Average[2]	-11.1%	+18.0%	+14.8%	+22.1%	-5.6%	+44.8%	+7.2%
Outperformance	**-16.5%**	**+2.8%**	**+11.6%**	**+5.5%**	**+14.2%**	**+12.9%**	**+1.8%**

Past performance is not a guide to future performance.

[1]I class Acc shares, net of fees priced at midday UK time, source: Bloomberg. [2]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

WHY WE LOVE THIS ENERGY STOCK

by Stephen Yiu

Whilst we tend not to discuss investee companies outside of the Top 10, many people have noticed a new sector appearing on our Factsheet in the last few months – Energy. We have so far made one investment into the energy sector in a company called Canadian Natural Resources.

As always, when we invest in a company, we look for both the highest levels of quality and structural growth drivers that should assist in our mission to deliver outperformance over the long term. We consider that Canadian Natural Resources delivers on both in abundance.

The company itself owns some of the highest quality oil assets in the world – the crown jewel of which are its oil sands mines in Alberta, Canada. What makes these mines so important is that their reserves are predicted to last approximately 45 years – extremely favourable when compared to the average US shale company reserves of around 10 years. In addition, there is "zero decline" meaning minimal capital expenditure and no new costly exploration required to maintain production levels. Again, this compares favourably to conventional oil assets with around 10% per annum decline and as much as 40% per annum for US shale oil. The low cost of production means that the breakeven point for Canadian Natural is just $30 per barrel (the price today is around $75 per barrel). All this, combined with a strong management team and track record of 23 consecutive years of dividend increases, gives us the quality we are looking for in this previously unloved sector.

Whilst it is a company which has been on our radar for a while, the issue with Canadian Natural Resources (and thus keeping it out of the portfolio) had been the sector in which it sits. But the energy sector itself is now far more appealing. The biggest driver of its renewed appeal for investors are the indicators of supply challenges from the three largest oil producers – the US, Saudi Arabia and Russia.

In the US, the shale revolution in early 2010 was one of the most significant breakthroughs in the 100-year history of the oil industry. We believe it is unlikely to be repeated, whilst economics and growth profiles are deteriorating as high decline rates, cost inflation, and depletion of the best wells all begin to bite.

In Saudi Arabia and indeed OPEC as a whole, we believe the record of consistently missing production quotas demonstrates their "spare capacity" is close to being exhausted. Coupled with worsening US relations, this is likely to bias OPEC towards limited supply growth.

Clearly, for Russia, geopolitics are worsening. The withdrawal of Western technology and oil field services firms from Russia will weigh heavy on supply, whilst Western nations taking a stance against the war in Ukraine is leaving the Russian oil industry painfully lacking investment.

Finally, a general lack of investment globally with total industry capex slashed by around 50% over the last 8-10 years has put pressure on the sector. Another telling stat is that enrolment numbers in petroleum engineering courses in the US are also down approximately 50% over the same period.

Whilst we do not attempt to forecast the oil price, all the above leads us to believe the price is well supported at these higher levels.

With the key oil-producing nations suffering for one reason or another, Canada has an ace up its sleeve in the form of its ESG (environmental, social and governance) credentials. Among the top oil exporting nations, Canada offers the highest aggregate ESG score, whilst Canadian Natural Resources itself employs several initiatives and measures in recognition of its ESG responsibilities – ranging from reduction in fresh water usage and land reclamation, to workplace safety and inclusion. Whilst the discussion of ESG may seem laughable when discussing producers of fossil fuels, a more socially and environmentally-aware end consumer will be more comfortable in their consumption of natural resources if the company can demonstrate initiatives to limit its impact on the environment and improve its social credentials.

Canadian Natural Resources, therefore, sits well in our portfolio of high quality businesses, broadening out our portfolio exposure into a sector which we believe will take a greater share of the global GDP over the medium to long term.

BLUE WHALE GROWTH FUND

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.

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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

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.

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Taxation

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