

LF Blue Whale Growth Fund

May 2018

Data as at 30.04.18



FUND FACTS

Fund launch date	28.09.17
Fund type	UK OEIC
Fund managers	Stephen Yiu Robert Lloyd
Fund size	£45m
No. of holdings	25
IA sector	Global
Benchmark	MSCI World Index Net GBP
Base currency	GBP
Dividend dates	End of February End of August
Portfolio yield*	1.3%
Authorised Corporate Director (ACD)	Link Asset Services
Depository	Northern Trust Global Services

CHARGES

Retail AMC (OCF) 1.0% (1.17%)	Institutional AMC (OCF) 0.75% (0.92%)
Initial charge 0.0%	Performance fee 0.0%

TOP 10 HOLDINGS

• Adobe	• Microsoft
• Alphabet	• PayPal
• Facebook	• Salesforce
• Intuit	• UnitedHealth
• Mastercard	• Zoetis

GEOGRAPHICAL BREAKDOWN

	%
US	69.5
UK	18.9
Europe	4.5
Cash	7.1

SECTOR BREAKDOWN

	%
Technology	42.4
Consumer Goods	16.2
Consumer Services	10.8
Financials	10.6
Health Care	8.3
Industrials	4.7
Cash	7.1

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WHY LF 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, this means
 - 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.

SHARE CLASS DETAILS

Share Class	Sedol	ISIN
R Acc	BD6PG78	GB00BD6PG787
R Inc	BD6PG89	GB00BD6PG894
I Acc	BD6PG56	GB00BD6PG563
I Inc	BD6PG67	GB00BD6PG670

PLATFORM AVAILABILITY



www.bluewhale.co.uk

Disclaimer: *Portfolio yield reflects the weighted average 12 month estimated forward dividend yield of the portfolio assets. This may differ from the net yield which includes deduction of management fees, charges etc. A Key Investor Information Document and an English language prospectus for the LF Blue Whale Growth Fund are available via the Blue Whale website or on request and investors should consult these documents before purchasing shares in the fund. Past performance is not necessarily a guide to future performance. The value of investments and the income from them may fall as well as rise and be affected by changes in exchange rates, and you may not get back the amount of your original investment. Blue Whale Capital LLP does not offer investment advice or make any recommendations regarding the suitability of its products. This financial promotion is intended for UK residents only and is communicated by Blue Whale Capital LLP which is authorised and regulated by the Financial Conduct Authority. All data is sourced from Blue Whale Capital LLP unless otherwise noted.

Q&A

IF YOU HAVE A QUESTION FOR THE TEAM AT BLUE WHALE, PLEASE GET IN TOUCH BY EMAIL AT INFO@BLUEWHALE.CO.UK, OR ON TWITTER @[@BLUE_WHALE_AM](https://twitter.com/BLUE_WHALE_AM).

I purchased your fund on the basis that it was your intention to tell investors in a reasoned and detailed way why you have chosen a particular company worthy of investment, the example given was Electronic Arts. When and how do you intend telling your investors of your detailed choice.

Thank you for your interest. Our current factsheet shows the top 10 positions at the end of April. Please let us know which company is of greatest interest and we'll share our research via May's factsheet.

I see that you do not show more than top ten holdings. Are you considering expanding this?

We are not considering expanding this as we do not feel it is helpful to performance in the long-run. If the fund was to become much larger in size, revealing all our positions to the market can be a hindrance. For example, if we had a relatively large position in a smaller company where liquidity was relatively low, there are plenty of algorithmic-driven and hedge funds who could use this to their advantage if they knew we needed to sell. This would be to the detriment of our investors so we do not want to do this.

A particular well-known UK fund manager has been down the path of disclosing all of his holdings and we don't feel this has helped his fund.

You also mention answering questions from investors. I see that Woodford IM has used videos for answering awkward questions. Is this the sort of thing you had in mind?

We are actively looking to move to a video format soon. We'd also like to explore the idea of live Q&A via Facebook or Twitter. A lot of the video formats out there are pre-prepared and scripted – we think this is 2018 and investors would like something more interactive but it depends on what is feasible from a compliance perspective. Please let us know your thoughts on what you'd like to see.

Why do you not make the fund 'share' price easily available and also not include it and the historical record (normally a graph) in the fund factsheet? I know some firms show ratios such as active share, tracking error, information ratio, alpha in order to demonstrate how active they are. Do you plan to do this? I assume your short track record prevents this at the moment.

At present, we are unable to share performance metrics on the fact sheet due to the age of the fund. Once we are able, we will show active share and we will show our performance vs. the MSCI World (Net GBP) index to show clearly to investors our relative performance. This will be on the September fact sheet.

We will never show tracking error as we want to diverge (positively) from the benchmark! We don't want our investors to be confused into thinking that tracking error is a problem. If people are worried about tracking error, they should really be buying passive ETFs.

Which variety of sources do you use to derive investment ideas? Regarding screening tools, what characteristics do you look for and what metrics do you use to assess these characteristics?

The global universe of listed stocks is large but we are able to filter out a significant number due to our strict investment criteria which leaves c.100 stocks which we consider to be investable. The way we filter out the stocks varies – in some instances, it can be an intuitive understanding that a certain industry will not meet our requirements and in other cases, we will perform detailed pieces of work.

What we are looking for is companies that can grow over time, maintain or improve profitability and don't face critical structural issues with their business model. A large number of industries now face structural issues due to the emergence of new technologies, often driven by the tech giants, which results in the universe of investable stocks being relatively small. We don't use any other strict screening tools or criteria.

Are you not worried that interest rates are going up? Some fund managers say there is no point trying to predict what might happen in the economy because everyone always gets it wrong.

We are constantly monitoring the global economic outlook. Our top-down macroeconomic view does not drive our stock selection but we do consider the risks we are taking in the portfolio from this perspective. In our view, the global economy is still quite fragile and remains reliant on the US and China to continue to power global growth for the foreseeable future.

US households have deleveraged significantly since the financial crisis and higher wages and low unemployment should continue to provide consumer-driven support. Elsewhere in the private sector, US corporations were looking very leveraged but the tax cuts will provide some relief. China has their own motivations to ensure growth remains robust. Europe remains messy from both an economic and political standpoint. At the moment, the overall picture looks okay – the biggest risk over the next few years is the Federal Reserve raising interest rates too quickly.

Making any predictions on what is going to happen is very difficult and as previously mentioned we would never buy a stock based on a macro view, but it is very important to understand the overall economic and political risks you are taking in the portfolio.

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 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.

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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.

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