

FUND FACTS

Fund Launch Date	11 September 2017
Lead Fund Manager	Stephen Yiu
Co-Manager (October 2019)	Daniel Allcock
Fund Size	£365m
IA Sector	Global
Fund Type	UK OEIC
Base Currency	GBP
Dividend Dates	End of February, August
ACD	Link Fund Solutions (LF)
Depository	Northern Trust Global 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 %		55.7
Adobe	Mastercard	
Amazon	Microsoft	
Autodesk	PayPal	
Boston Scientific	Unilever	
Dassault Systèmes	Visa	

Geographical Breakdown %	
US	71.8
Europe	19.7
UK	2.5
Asia Pacific	1.9
Cash	4.1

Sector Breakdown %	
Technology	62.3
Healthcare	12.6
Consumer Staples	9.2
Consumer Discretionary	5.2
Communication Services	5.0
Industrials	1.5
Cash	4.1

SHARE CLASS DETAILS

Share Class	OCF	Minimum	SEDOL	ISIN
I Acc (GBP)	0.89%	£10m	BD6PG56	GB00BD6PG563
I Inc (GBP)	0.89%	£10m	BD6PG67	GB00BD6PG670
R Acc (GBP)	1.14%	£1,000	BD6PG78	GB00BD6PG787
R Inc (GBP)	1.14%	£1,000	BD6PG89	GB00BD6PG894
R Acc (EUR)	1.64%	€1,000	BYVQ1C3	GB00BYVQ1C38

PLATFORM AVAILABILITY



PERFORMANCE

"Committed to delivering significant outperformance"



	To Date 2020	2019	2018	Since Launch	Annualised
Blue Whale¹	+11.6%	+27.6%	+8.6%	+59.1%	+18.7%
IA Global Average ²	-1.7%	+22.1%	-5.6%	+18.2%	+6.4%
Outperformance	+13.3%	+5.5%	+14.2%	+40.9%	+12.3%

Past performance is not a guide to future performance.

¹I class Acc shares, net of fees priced at midday UK time, source: Bloomberg. ²IA Global Sector average, source: Lipper. ³Performance of I class Acc shares relative to funds in IA Global Sector, source: Lipper. 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

- UCITS-compliant.
- Assessment of company specific risk factors, including those related to ESG, that might materially impact the business's sustainable return on investment.



THREE TYPES OF COMPANIES TO AVOID AFTER COVID – BEYOND JUST HIGH DEBT

BY STEPHEN YIU



Around the world, many companies suffered heavy losses as the full effect of a global lockdown became apparent. Many are speculating that these companies, now at bargain basement prices, should recover to their pre-Covid levels and therefore represent extraordinary value for investors.

While this may be the case for some companies, at Blue Whale we do not think this is as prevalent as others would have you

believe. In fact, we see many reasons why a lot of companies should be avoided as they are unlikely to deliver either growth or income for investors.

One commonly expressed view is that, provided an investor steers clear of highly indebted companies they should be alright. While we agree that these companies present risks that are best avoided at this time, we think it should go further than this. Below we outline three types of companies that we think are best left alone for the time being.

1. Low Quality “Bargains”

Obvious examples of low-quality bargains are aplenty among cyclical companies with levered balance sheets and poor pricing power – the likes of miners and energy companies. These companies tend to perform poorly in any downturn, so are not directly tied to the specifics of this global pandemic.

However, a more insidious species of low-quality companies is those that we believe have “Old World” business models. We define these as companies that have failed to adapt to changing customer expectations and whose growth and profitability are structurally challenged – high street retailers and banks are key examples here. Often their branding can trap investors into thinking they are valuable companies, but they end up delivering, at best, stagnant returns over the long term.

In both cases (cyclical companies and structurally challenged “Old World” incumbents), Covid-19 was simply a catalyst to accelerate their inevitable decline.

2. Post-Covid Quality Traps

These are companies which, prior to the outbreak, would have been considered as having high-quality business models, but have since been rocked by the new-normal of social distancing and government mandated lockdown.

Falling under this category, we include coffee chains, hotels and children’s themed holiday parks. These sectors are seeing longer term revenue growth coming into question with social distancing protocols reducing their ability to operate at full capacity. In addition, compliance with more stringent public health standards means that margins become squeezed for the foreseeable future. All of this signifies poor returns for investors – regardless of their perceived brand value.

3. Bubble stocks

With the new-normal setting in, many of us have taken to video conferencing, increased streaming of entertainment and exercising from home. In return, a number of companies which cater specifically to these examples have seen their share prices rocket as they are perceived as beneficiaries of the post-Covid world.

While home exercise machines and streaming services have certainly had their moment in the sun during this pandemic, quite often their business models simply do not hold up to the great expectations heaped upon them, with little to no ability to turn a profit over and above cash needs.

In the three examples above of the types of businesses we are avoiding, we need to be clear on one thing – we’re not forecasting that they disappear into oblivion. We are simply sharing our view that we see little chance of outperformance from these types of businesses, where underperformance is the more likely outcome.

Please note that the information provided in this blog is not to be construed as advice and any views we express 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.

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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.

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.