

### FUND FACTS

Fund launch date	11 September 2017
Fund type	UK OEIC
Lead Fund Manager	Stephen Yiu
Fund size	£225m
No. of holdings	26
IA sector	Global
Avg. market cap	>£100bn
Base currency	GBP
Dividend dates	End of February, August
ACD	Link Fund Solutions (LF)
Depository	Northern Trust Global Services
Initial Charge	0.0%
Performance Fee	0.0%

### TOP 10 HOLDINGS

Company	Top 10	%
• Adobe	• Intuit	53.7
• Alphabet	• Mastercard	
• Autodesk	• Microsoft	
• Boston Scientific	• Visa	
• Facebook	• Wyndham Hotels	

### GEOGRAPHICAL BREAKDOWN

Region	%
US	66.7
Europe	12.5
UK	10.0
Cash	11.0

### SECTOR BREAKDOWN

Sector	%
Technology	46.7
Consumer Discretionary	9.7
Managed Funds	9.1
Communication Services	8.5
Consumer Staples	6.4
Healthcare	6.1
Industrials	2.5
Cash	11.0

### SHARE CLASS DETAILS

Share Class	OCF	SEDOL	ISIN
I Acc (GBP)	0.89%	BD6PG56	GB00BD6PG563
I Inc (GBP)	0.89%	BD6PG67	GB00BD6PG670
R Acc (GBP)	1.14%	BD6PG78	GB00BD6PG787
R Inc (GBP)	1.14%	BD6PG89	GB00BD6PG894
R Acc (EUR)	1.64%	BYVQ1C3	GB00BYVQ1C38

### PLATFORM AVAILABILITY



### PERFORMANCE



	2019	2018	Since Launch	Annualised
Blue Whale <sup>1</sup>	+27.6%	+8.6%	+42.6%	+16.7%
IA Global Average <sup>2</sup>	+22.1%	-5.6%	+20.3%	+8.4%
Outperformance	+5.5%	+14.2%	+22.3%	+8.3%
Rank <sup>3</sup>	#46 of 314	#4 of 296	#2 of 284	#2 of 284

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: Lipper. <sup>3</sup>Performance 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.

### WHY BLUE WHALE GROWTH FUND?

- Committed to delivering significant outperformance.
- 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 the long-term by investing in equities on a global basis, with a current focus on developed markets.

The portfolio will be concentrated, generally comprising between 25 and 35 stocks.

### INVESTMENT PROCESS

Investments must in our view fall into the below criteria in order to qualify for selection within the portfolio;

1. The business must be fundamentally attractive;
  - 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.

Furthermore, the Investment Manager will take into account other risk factors, including those related to ESG, that might materially impact the business's sustainable return on investment.



### FUND MANAGERS' REVIEW OF 2019



We are pleased to report that the fund rose 28% in 2019, outperforming the MSCI World Net GBP Index by 5%<sup>1</sup>. From launch in September 2017 to the end of 2019, the fund gained 43% as compared to 21% for the average fund in the IA global sector<sup>2</sup> and 24% for the MSCI World Net GBP Index<sup>1</sup>.

Share prices can be volatile in the short term, but we believe that returns for investors inevitably follow growth in underlying company earnings and cash flows over time. During 2019, the aggregated forward earnings expectations of companies in our portfolio rose by 18%, 12% greater than that of the MSCI World Index which rose by 6%<sup>3</sup>.

Software companies, particularly Microsoft, Adobe, Ansys and Veeva, were strong contributors to returns during 2019. Software remains a large weighting in the fund as we continue to believe that the market undervalues the long-term earnings power of these businesses. We exited our position in Veeva as our view of the competitive environment changed and valuation became more challenging.

Digital payments was another area of strength with Mastercard, Visa and PayPal all delivering healthy returns. We increased our weighting in Mastercard and Visa as we gained further confidence in durability of their business models with the majority of 'fintech' innovation continued to take place on top of, rather than around, their payment rails. The most notable example of which was perhaps Mastercard powering the Apple Card.

Adidas was another strong contributor, but we exited the position during the year as the valuation became less attractive. We also sold Smith and Nephew on the back of a strong run, while our assessment of management changed due to the earlier than expected departure of the CEO.

On the negative side, a new position in Verisk Analytics weighed as the shares de-rated. We remain happy with the core thesis and the performance of the business. Unilever was also a drag as the company experienced slower sales growth than expected in India.

During the year we reduced the cash weighting in the fund from 15% to 10% as we were able to find new ideas at sufficiently attractive prices.

Notable new positions include Boston Scientific, a medical device company whose management team and portfolio of minimally invasive products we rate highly and where we see an attractive valuation. We also built a small position in LVMH, attracted by the impossible-to-replicate nature of heritage luxury brands like Louis Vuitton, an exceptional management team and a reasonable valuation. We also added a new position in Dassault Systèmes, where its market leading products CATIA and SolidWorks are deeply embedded in the manufacturing industry, together with its 3DEXperience platform strengthening competitive position.

We continue to invest in businesses whose earnings and cash flows, we believe, will grow 1) significantly over time, 2) largely irrespective of the economic environment and 3) to an extent that is underappreciated by the market. While markets may remain volatile in the short term, we remain optimistic about the pipeline of investment opportunities and the future growth prospects of the Fund.

Stephen Yiu  
Chief Investment Officer

<sup>1</sup> Source: Bloomberg.

<sup>2</sup> Source: Lipper.

<sup>3</sup> Source: Internal calculation based on Bloomberg data.

Please remember that past performance is not a guide to future performance and that your capital is at risk. Please note also that references to portfolio companies do not constitute investment recommendations.

## 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.

### 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

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### 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.