

## 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	£1.1bn
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	27
Avg. market cap	>£100bn

### Top 10 Holdings %

Adobe	Mastercard	56.8
Alphabet	Microsoft	
ASML	Nvidia	
Atlassian	Sartorius	
Intuit	Veeva	

### Geographical Breakdown %

US	72.5
Europe	18.9
Asia Pacific	3.0
Cash	5.7

### Sector Breakdown %

Technology	54.4
Healthcare	17.5
Communication Services	9.7
Consumer Discretionary	6.3
Financials	5.5
Industrials	0.8
Cash	5.7

## SHARE CLASS DETAILS

Share Class	OCF	Minimum	ISIN
I Acc (GBP)	0.87%	£10m	GB00BD6PG563
I Inc (GBP)	0.87%	£10m	GB00BD6PG670
R Acc (GBP)	1.12%	£1,000	GB00BD6PG787
R Inc (GBP)	1.12%	£1,000	GB00BD6PG894
R Acc (EUR)	1.62%	€1,000	GB00BYVQ1C38

## AWARDS AND RATINGS



## PERFORMANCE

“Committed to delivering consistent significant outperformance”



	To Date 2021	2020	2019	2018	Since Launch	Annualised
<b>Blue Whale<sup>1</sup></b>	<b>+23.3%</b>	<b>+26.4%</b>	<b>+27.6%</b>	<b>+8.6%</b>	<b>+122.1%</b>	<b>+20.8%</b>
IA Global Average <sup>2</sup>	+16.6%	+14.8%	+22.1%	-5.6%	+61.2%	+12.0%
<b>Outperformance</b>	<b>+6.7%</b>	<b>+11.6%</b>	<b>+5.5%</b>	<b>+14.2%</b>	<b>+60.9%</b>	<b>+8.8%</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: Blue Whale Capital. 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.

## COV-FLATION – THE OPPORTUNITIES FOR INVESTORS IN THIS UNIQUE INFLATIONARY ENVIRONMENT

### A unique inflationary environment

As the world emerged from lockdown earlier this year, people started to enjoy themselves again leading to global demand increasing rapidly. By itself, a rise in demand normally would lead to price increases - this is known as “demand-pull” inflation. However, where this inflationary environment is different is the exacerbating circumstance of drastically limited supply. Whilst the global economy ground to a halt in 2020, governments (through the furlough scheme) and some companies, continued to pay their workforce not to be at work - people were still getting paid whilst the global economy was producing far less. Consequently, what we have seen is a surge in demand with supply drastically depleted.

In simple economic terms, raising the demand curve and lowering the supply curve drives prices higher, leading to inflation.

### What can investors do about inflation?

At the moment, both cash and bonds offer an interest rate far below that of inflation. Bonds have the added problem of leaving the owner at the mercy of the market when they come to sell – in a rising interest rate environment, they may get back less should they not hold the bond to maturity. Precious metals had more relevance as a hedge against inflation when global central banks were devaluing currencies with their quantitative easing strategies. Property is also an area of interest, however the costs of upkeep rise significantly with inflation, as anyone who has attempted home renovations in the last 18 months will attest to.

It will not surprise you to hear it is our belief that equities offer the greatest protection against inflation. But not all equity investments are created equal. There is a particular combination of attributes we look for in a company that we believe gives the greatest protection from inflation and can even benefit the company.

### Pricing power

Companies with superior pricing power are great to hold during inflationary periods. This means they can raise their prices in line with (or even beyond) inflation, without losing too many customers in the process.

Our favourite example is Microsoft. Earlier this year Microsoft announced they will be raising the price of their key office products by 15-20%. I imagine many of you will be reading this on your Microsoft Windows operating system, you may have received the email notifying you of this article through Microsoft Outlook, and I drafted this article in Microsoft Word. All these products are key both in your everyday and working life. If the price of Microsoft’s services goes up, you are likely to pay it.

### Gross margin

But pricing power is only part of the story. When choosing our investee companies for the LF Blue Whale Growth Fund, we also pay close attention to gross margin.

We specifically look for companies with a high gross margin – this means that the uncontrollable external costs of running the business is comparatively low when compared to the revenue.

As an example, the LF Blue Whale Growth Fund has a weighted average gross margin across its investee companies of c.70%. This means that, of the companies’ total revenue, there are external costs associated with running the business of 30%. With external costs increasing due to inflation, this high gross margin is favourable over, for example, UK Blue Chip companies, which have a gross margin of c.30%, i.e. UK Blue Chips are paying the external costs of inflation on roughly 70% of their total revenues.

In short, inflation has a higher impact on businesses with a lower gross margin.

## COV-FLATION – THE OPPORTUNITIES FOR INVESTORS IN THIS UNIQUE INFLATIONARY ENVIRONMENT

### Why not have both?

It is our opinion that the “Holy Grail” of inflation-busting companies is a company that can combine a high gross margin with superior pricing power - a “double whammy” that means they are less affected by rising costs, whilst also being able to increase their prices to outpace inflation. What an investor wants to avoid, are those companies that have a low gross margin, with little or no pricing power.

At Blue Whale, our focus is on beautiful companies - companies that combine both key attributes. It is these companies that should benefit in an inflationary environment. We therefore believe inflation should be seen not as a headwind to investment performance, but potentially as a boon to the performance of those companies that can prove their mettle during inflationary times.

There is one more thing to consider - the merits of investing in great companies stand up even outside of an inflationary environment. Should this inflationary period prove to be transitory, as an investor in the LF Blue Whale Growth Fund you will still hold a portfolio of what we believe to be the most beautiful companies in the world. We hope this portfolio will outperform the wider market regardless of the macro-economic environment.

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

### PLATFORM AVAILABILITY



## 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.

### 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.

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