

## 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                 | £825m                            |
| 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 | 25      |
| Avg. market cap | >£100bn |

### Top 10 Holdings %

|                |            |      |
|----------------|------------|------|
| ASML           | Mastercard | 57.5 |
| Atlassian      | Microsoft  |      |
| Charles Schwab | Nvidia     |      |
| Intuit         | Sartorius  |      |
| Lam Research   | Visa       |      |

### Geographical Breakdown %

|               |      |
|---------------|------|
| North America | 67.0 |
| Europe        | 22.0 |
| Asia Pacific  | 3.0  |
| Cash          | 8.0  |

### Sector Breakdown %

|                        |      |
|------------------------|------|
| Technology             | 56.7 |
| Healthcare             | 14.4 |
| Financials             | 6.7  |
| Consumer Discretionary | 6.4  |
| Communication Services | 4.1  |
| Industrials            | 3.6  |
| Cash                   | 8.0  |

## SHARE CLASS DETAILS

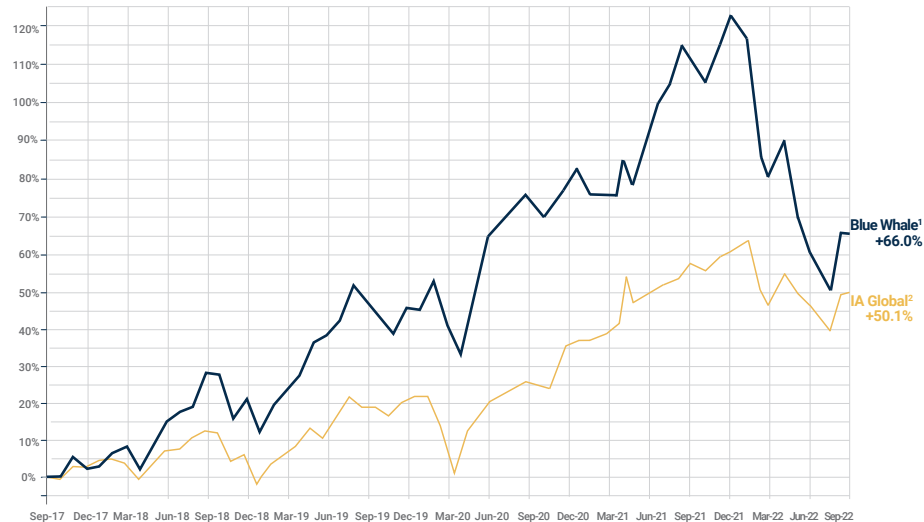
| Share Class | OCF   | Minimum | ISIN         |
|-------------|-------|---------|--------------|
| I Acc (GBP) | 0.83% | £10m    | GB00BD6PG563 |
| I Inc (GBP) | 0.83% | £10m    | GB00BD6PG670 |
| R Acc (GBP) | 1.08% | £1,000  | GB00BD6PG787 |
| R Inc (GBP) | 1.08% | £1,000  | GB00BD6PG894 |
| R Acc (EUR) | 1.58% | €1,000  | GB00BYVQ1C38 |

## AWARDS AND RATINGS



## PERFORMANCE

“Committed to delivering consistent significant outperformance”



|                                | To Date 2022  | 2021          | 2020          | 2019          | 2018          | Since Launch  | Annualised    |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Blue Whale<sup>1</sup></b>  | <b>-23.8%</b> | <b>+20.8%</b> | <b>+26.4%</b> | <b>+27.6%</b> | <b>+8.6%</b>  | <b>+66.0%</b> | <b>+10.7%</b> |
| IA Global Average <sup>2</sup> | -7.8%         | +18.0%        | +14.8%        | +22.1%        | -5.6%         | +50.1%        | +8.5%         |
| <b>Outperformance</b>          | <b>-16.0%</b> | <b>+2.8%</b>  | <b>+11.6%</b> | <b>+5.5%</b>  | <b>+14.2%</b> | <b>+15.9%</b> | <b>+2.2%</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: 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

## H1 2022 UPDATE

by Stephen Yiu



The first half of 2022 saw inflation fears of late 2021 come to a head. Accordingly, global equity markets saw increased volatility, with a mark down across the board. Traditional value stocks, which had fared well in 2021, also saw their share prices coming off, with a few exceptions, largely in the oil and gas sector.

An area that was particularly hit was the tech sector, in which Blue Whale has a significant portion of the Fund invested. While lower quality businesses thrived under pandemic conditions (Peloton, Deliveroo for example), inflated share prices not backed by company fundamentals saw investors flee as the world emerged from lockdowns. However, investor nerves led not only to lower quality businesses seeing a price downgrade, but also contagion spreading to higher quality tech stocks as an indiscriminate sell-off materialised.

In the first half, the Fund fell 30.3% (based on the I Accumulation Sterling class unit as at 30.06.2022) compared to the IA Global Average which fell 14.1%. This underperformance over the period was largely due to the higher technology exposure in the portfolio versus the Global sector as a whole.

Two of the larger individual detractors to performance fall into this sector – Nvidia (maker of high-capability processors) and Atlassian (collaborative working tools). The share price decline of these two companies can be attributed to a valuation reset based on higher interest rates – with no material adverse news or change to company fundamentals we remain confident in our investment thesis. The other main detractor was Sartorius (biomedicine). Again, the investment thesis remains intact, and we view the share price decline primarily as a symptom of macro-economic malaise.

Leading contributors to fund performance were Nintendo (video games) and Mastercard and Visa (payment networks and systems). With the release of a raft of new games and sales of the popular Switch console continuing apace, the Nintendo share price recovered some lost ground in the first few months of the year. Mastercard and Visa, whilst decidedly volatile during H1 2022, benefitted from the return of cross-border travel. The two payment titans also offer what we believe to be the purest available inflation hedge as they continue to take their percentage on the inflated price of goods and services bought using their ubiquitous payments systems.

New additions to the portfolio were North American railroad operators Canadian National Railway and Union Pacific. With high margins and strong cash generation and a secular move towards repatriating supply chains, these companies offer a defensive play given the uncertainty of inflation and the spectre of recession. In addition, they offer an interesting ESG angle given the sustainability and efficiency of utilising railroad transport over that of truck haulage and air delivery.

Key disposals were PayPal and Meta (Facebook). In the case of PayPal, concerns over company strategy relating to acquisitions and increased competition in the sector encouraged us to sell our position. Meta, having changed its name from Facebook, showed their hand when it came to investment in the metaverse, subsequently leading to concerns over a deterioration in its business quality due to an apparent significant investment in this area. Following the disposal of Amazon at the end of 2021, the only FAANG still standing in the portfolio is a small holding in Alphabet (Google).

Looking forward, whilst the first half of the year has been characterised by inflation and interest rate risk, we anticipate that the inflation narrative will taper off whilst we head towards greater recession risk. As the cost of capital is likely to remain high, the Blue Whale portfolio of companies maintains a net-cash balance sheet, with high gross margins and strong pricing power. The relative valuation of high-quality tech businesses in the portfolio is attractive when compared to those sectors which have done comparatively well in the first half – sectors such as consumer staples which now trade at a significant premium to the market. We therefore hope to see a return to outperformance on a relative basis at least in the coming months.

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

## 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.

<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.

No part of this document may be copied, reproduced or distributed to any other person without the prior written consent of Blue Whale.

## PLATFORM AVAILABILITY

