

**SHINING A LIGHT ON THE.....
Barings Global Dividend Champions Fund**

AT A GLANCE

Investment Objective	
The investment objective of the Fund is to generate income together with long-term capital growth through investment in the securities of companies worldwide.	

Inception Date	20 th October 2016
Fund Factsheet Link	-

Management	
Manager Name	Start Date
Darryl Lucas	20 th October 2016

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	-
Large	-
Medium	-
Small	-
Micro	-

Top 10 Holdings		
Total number of holdings	-	
Assets in Top 10 Holdings	-	
Name	Sector	% of Assets
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-

Volatility Measurements	
3-Yr Std Dev (volatility)	-
3-Yr Mean Return (average)	-

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UPDATE....

The fund is “new”; it has been in incubation since its unofficial launch with about \$20 million invested. The aim is that the fund can build up a track record and then launched. It is coming up to its three-year anniversary in October. The fund was designed and set up by Darryl Lucas. The philosophy is about identifying the best companies based on cash flow, financial profile and stress testing. The investible universe is 120 companies (4 of which are emerging markets).

From this universe the maximum number of holdings is around 42 but currently he holds 35 companies with 45% of the holding in the top ten. Turnover is low and holding periods are expected to be 7 to 10 years. We discussed mistakes: he believes that the focus on high quality businesses reduces the risk of mistakes and would expect a positive hit rate of about 80%. One company we discussed was Sage, where he felt that although it was the weakest of the accountancy software businesses, it could deliver high growth returns. In reality the likes of intuit are taking market share through innovation and cheaper cost bases.

The focus is on 120 of the most defensive companies in the world. They will add or remove perhaps a handful each year. This is a slow and steady fund. All the companies have a moat where the long-term advantages will come through. The income is low at 2.6% per annum but the aim is to grow compounded by 10%. This would mean doubling the yield over a 7-year period.

Darryl is benchmark agnostic and would not expect the fund to look anything like the benchmark. We also discussed whether the benchmark is irrelevant and to some extent Darryl explained that for this fund it is true. In theory if the best companies were in the US then the fund would be 100%. In reality it is about understanding the risk between the different holdings and how these blend into the fund.

The fund is defensive and therefore responds best during bear markets, so in 2018 the fund outperformed the index and although it has slightly outperformed this year it has struggled to keep pace in a rising market.

The types of companies they avoid include excessive leverage, complex operations, companies which are over earning, and fads. Examples of companies they hold include International Flavors and Fragrances; quality characteristics include improbable that the business model can be replicated, which is a huge R&D advantage. Air Liquide is another example with quality characteristics including recurring revenue stream from onsite business, non-speculative capital spending and strong financial profile.

In summary, we liked the management and style. It is difficult to test the performance as the fund has been incubated so the figures are not easily available. In a more volatile market, having defensive strategies as a blend can and does help. Ultimately investors will need to decide whether they are prepared to invest in an incubated fund. It is worth adding that the manager does invest in this fund.

The source of information in this note has been provided by Barings and is correct as at April 2019. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.