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	20th October 2016
Fund Factsheet Link	https://markets.ft.com/data/funds/tearsheet/summary?s=IE00BYZDBZ35:USD

Management	
Manager Name	**Start Date**
Darryl Lucas	20th October 2016

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

Top 10 Holdings		
Total number of holdings	35	
Assets in Top 10 Holdings	45.7%	
Name	**Sector**	**% of Assets**
Unilever	-	6.0%
Colgate-Palmolive	-	5.4%
Microsoft	-	5.2%
Amadeus IT Group	-	5.1%
Compass	-	4.2%
Pepsico	-	4.2%
Stryker	-	4.1%
Reckitt Benckiser	-	3.9%
KONE	-	3.9%
Mastercard	-	3.7%

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

FUND PERFORMANCE

Performance from 20th October 2016 to 30th September 2019:

	2016	2017	2018	2019
Barings Global Dividend Champions Fund	-2.96%	14.18%	-1.81%	23.37%
iShares MSCI World	5.25%	17.26%	-8.94%	16.60%

Performance over 12 months, 2 years, and since launch:

	1 year	2 years	Since launch
Barings Global Dividend Champions Fund	13.04%	28.35%	34.22%
iShares MSCI World	0.90%	12.19%	31.05%

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

UPDATE….

This is our second meeting with the manager. In the first review we were unable to find performance data but this is now starting to show across different investment portals. This starts to paint an interesting story around the fund and its performance. Over 1 and 2 years the fund has significantly outperformed the index, and since launch it has slightly outperformed. In 2018, although the fund was negative it provided a downside cushion, and even as markets recovered in 2019 it has captured that upside.

It is worth repeating that 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. All the companies have a moat where the long-term advantages will come through. The investible universe is 120 to 130 companies (4 of which are emerging markets).

We talked about the focus on brands and Daryl explained this was considered but he felt was too narrow. Focusing on companies with quality characteristics, that are growing and attractively valued, means that you end up with those companies which they think will be around in ten years' time. It also provides a diversified group of holdings. Some examples include:

Coloplast – they make various products, but one is the colostomy bag. It is shaped to fit an individual and the technology within the adhesive and bags enable people to do everyday activities that they enjoy including cycling, rock climbing etc. If they produce 10,000 bags, 10,000 bags must work. This is about brand leadership. If you look at forums you can see what clients are saying. It is very hard for someone to come into the market because it is about trust, you don't want to buy a product that has not been tested.

PepsiCo - is a very different business to Coca Cola. Only 15% of the business comes from sugary drinks. It offers a diversified mix of drinks and is an excellent food franchise.

Microsoft – the company could have missed the shift to mobile phones and lost out to google. However, they were lucky with an excellent CEO, and The Cloud. They have adapted the business to get products to consumers in a different way which enables instant updates and they are constantly improving the product. This means they have happy customers and lower costs.

If you focus purely on the brand, then there is a risk that these can be disrupted and therefore you need something that is different. They have looked at how the companies within the portfolio would have behaved in a downturn. These are the types of companies where revenue didn't decline, where capital spending continued, and dividends increased.

To some extent this is a boring fund focusing on around 120 to 130 of the most defensive companies in the world. From this the fund is highly concentrated with around 35 names. Turnover remains low. Since launch they have added just over 3 new positions a year and the focus is on the long-term. If they want businesses that will be around in ten years' time, then they want to hold these companies for the long term.

We talked about volatility and Daryl explained that the real focus should be on drawdown. If the markets, go down, can this fund protect on the downside? If the fund is focusing on companies with high multiples, then this doesn't minimise the drawdown. The focus on high quality, strong franchises, means that this protects on the downside. In 2018 we saw this happen. The fund will lag when the markets race as we saw in 2017 but in 2019 where there has been increased volatility the mix of downside protection and upside capture has benefited the fund.

In terms of getting this right Daryl believes that the focus on high quality companies means that they should be getting a positive hit rate between 80% and 90%. Since launch only 3 holdings have been sold for a loss. In terms of the amounts the lowest was -3% and the highest was -12%.

In summary, we continue to like the management and style. It is frustrating that the data is not easily available in terms of performance etc, but this is coming, and we would expect this to raise the profile of the fund. There are a few "similar" strategies which aim to provide some downside protection, but we think this is slightly different due to its broader and more diversified mix of holdings. 2018 and 2019 have shown where the fund best performs, and 2017 where it will struggle. Over the long-term this should benefit the fund.

When we discussed performance, Daryl was keen to point out that he wants it to outperform the Global Index and not the Global Income Index which means this is out to compete against the best Global Funds.

It is worth adding the manager invests his money (pension and investments) into the fund and therefore is aligned to the investors within the strategy.

The source of information in this note has been provided by Barings and is correct as at October 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.