

SHINING A LIGHT ON THE.....
Buffettology Smaller Companies Investment Trust PLC

AT A GLANCE

Investment Objective
The Buffettology Smaller Companies Investment Trust PLC will invest in UK smaller companies and will seek to provide shareholders with an annual compounding rate of return over the long term which is superior to the Numis Smaller Companies plus AIM (ex Investment Trust) Index.

Inception Date	
Fund Factsheet Link	-

Management	
Manager Name	Start Date
Sanford DeLand	29 th October 2020

Tracking Error	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
-	-	-	-	-	-	-

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

Investment Style Details	
Giant	-
Large	-
Medium	-
Small	-
Micro	-

Top 5 Holdings		
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-

Top 5 Sectors	
-	-
-	-
-	-
-	-
-	-

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UPDATE....

These updates have been written at the time of the Coronavirus Pandemic of 2020, which has impacted the global financial markets in a way that has never been seen before.

This is a brand-new strategy and they are looking to raise £100 million. The aim is to invest in 30 to 50 holdings in what they see as one of the most under researched part of the market. The team already run the very successful UK Buffettology Fund and they have experience of the small cap market.

They are long term buy and hold investors and although they are looking to invest in companies with a market cap between £20 and £500 million, they are happy to hold a company if it grows above £500 million, if they believe there is still value in that company.

They are looking at holding around 30 companies initially and will have strict limits of 10% of the gross asset value. They will not look to hold more than 29.9% of a company and they will have 25% sector limits. The philosophy remains the same as the main fund, which is to buy excellent businesses at a fair price.

They believe that when you invest you buy into a business and you switch off from the noise around you. They focus on things that they know about like enduring franchise, proven business model, higher returns on capital and equity, strong cash flow, robust balance sheets and strong senior management team. Understanding this helps them to understand a business better.

As an example, the free cash flow at Games Workshop has dropped back. This reflects the business investing for the next stage of growth.

Examples of companies which they have held in the past or were not able to hold but would like to have held are shown below.

This for them shows the opportunities set that is out there.

Divided record – Best of the Best and James Halstead

Brand Power – Nichols PLC and Games Workshop

Embedded Customers – Craneware and AB Dynamics

Low Financial Gearing – Tracsis and Bioventix

Management Ownership – Quartix and Focusrite

In terms of the selling assets there are really two main reasons, and they used an examples to illustrate this.

The first is a fundamental change: Domino's Pizza is an example where there was a change in management and they did not like the changes they were making. The second is what they class as an oversight (or as the manager said, a mess up). An example of this would be Dignity, who appeared to have pricing power and what they didn't see was comparison websites effectively destroying that value. They purchased and sold within six months.

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In terms of the trust, the shares are tradeable but investors will have an exit strategy after 5 years and then every 3 years after that. There will be some crossover with the main fund, but this will likely be small.

In summary, this is difficult to review as there is no track record. Investors who know the UK Buffettology Fund will understand the process which underpins this new strategy. Equally, they have experience with small cap within the fund they manage, and they hope to repeat the success they have had by capturing more of these opportunities.

The source of information in this note has been provided by Sanford DeLand and is correct as at September 2020. 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.