

**SHINING A LIGHT ON THE.....
CFP SDL Free Spirit Fund**

AT A GLANCE

Investment Objective
The investment objective of the Fund is to seek to achieve real growth in capital and income over the long term. The Fund will invest mainly in a portfolio of UK equities listed on the LSE or quoted on AIM/ISDX and may also invest in other transferable securities, money market instruments, units and/or Shares in other collective investment schemes, deposits, warrants, cash and near cash. Real growth means growth in excess of inflation, defined as the UK Consumer Price Index (CPI) +2% per annum on average and long term means over a minimum investment horizon of five years. It is likely that the portfolio will contain between 25 and 40 holdings when fully invested.

Inception Date	3 rd January 2017
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000YGNG

Management	
Manager Name	Start Date
Andrew Vaughan	1 st July 2019

FUND PERFORMANCE

Performance from 3rd January 2017 to 31st January 2021:

	2017	2018	2019	2020	2021
CFP SDL Free Spirit Fund	18.55%	-5.44%	31.30%	13.65%	1.39%
FTSE All Share	11.02%	-9.47%	19.17%	-9.82%	-0.81%

Performance over 12 months, 3 years, and since launch:

	1 year	3 years	Since launch
CFP SDL Free Spirit Fund	14.77%	43.00%	69.62%
FTSE All Share	-7.55%	-1.60%	7.13%

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.

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Tracking Error	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
13.93	-	83.33	42.37	63.89	0.57	10.44	Small/Growth

Volatility Measurements	
3-Yr Std Dev (volatility)	16.52%
3-Yr Mean Return (average)	12.66%

Investment Style Details	
Giant	6.13%
Large	6.52%
Medium	17.48%
Small	32.47%
Micro	22.80%

Top 5 Holdings – 28 Equity Holdings		
dotDigital Group PLC	Technology	4.36%
Bloomsbury Publishing PLC	Communication Services	4.19%
Tatton Asset Management PLC	Financial Services	4.18%
Mortgage Advice Bureau (Holdings...	Financial Services	4.10%
Tristel PLC	Healthcare	4.00%

Top 5 Sectors	
Communication Services	20.16%
Industrials	19.86%
Technology	15.01%
Financial Services	12.70%
Healthcare	11.46%

UPDATE....

This is a UK strategy that appears to offer investors something slightly different. It currently has 28 holdings and can hold between 25 and 40 stocks at any point in time. They tend to find opportunities in the mid and small cap space and look to hold for five plus years. The types of companies they like mean that when there is a “dash for trash”, this fund will lag.

The process is simple; they believe that excellent businesses bought at fair prices will translate into excellent investment opportunities. By the nature of what they are looking for it means they do not invest in banks and oil companies, but they have small exposure to the travel and leisure industry.

Digging deeper, they are looking for enduring franchises, proven business models, higher returns on capital and equity, strong cash flow, robust balance sheets and strong senior management. The types of attributes of these businesses include economic moats, embedded customers, experienced management teams, management ownership, manageable debt, and dividend payers.

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They have high exposure to media and software companies and 18 holdings are debt free. This is an out and out growth fund. Examples of holdings include Bloomsbury (intellectual property), Avon Rubber (patterns and regulatory approval), Craneware (switching costs), and RELX (subscription models).

They have a strong sell discipline which focuses on fundamental change, oversight, a switch into another holding and Black Swan. An example of change was SSP which delivered food outlets at airports and train stations. Due to the impact of COVID (Black Swan event) the fundamentals of the business have changed and therefore they have sold out. They may re-invest when things start to return to normal.

They have a watch list of 45 to 60 companies and currently hold around 17% in cash. The cash is there to protect the funds from outflows but also provides them with money to invest when the time is right. The fund has grown from £10 million in assets to £50 million, but they are aware that the cash holding is important should there be large outflows.

The fund itself is a UK Fund but about two thirds of the revenue is from the US, Europe, and Asia.

In summary, for those looking to invest in a UK Fund this may be one to consider. The holdings are certainly different to many other UK funds. This is a highly concentrated fund, focusing on what they see as excellent businesses. Holding the cash means that they can observe their watch list and patiently wait for the right time to invest. One risk to the fund is size, especially if investors take large sums out of the strategy. However, they have started to gain traction in terms of new money and the performance should attract further funds.

The source of information in this note has been provided by SDL and is correct as at February 2021. 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.