SHINING A LIGHT ON THE……
Castlebay UK Equity Fund

AT A GLANCE

Investment Objective
The objective of the Fund is to preserve capital and generate income growth over the long term. The Fund will aim to meet its investment objective by investing primarily in a portfolio of UK companies listed on recognised stock exchanges. The Fund may also invest in overseas equities, transferable securities, money market instruments, deposits and cash and near cash. There will be no particular emphasis on any industrial or economic sector.

Inception Date	28th January 2015
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000VIF3

Management	
Manager Name	**Start Date**
David MacNeil	28th January 2015
David Ridland	28th January 2015

FUND PERFORMANCE

Performance from 28th January 2015 to 31st March 2021:

	2015	2016	2017	2018	2019	2020	2021
VT Castlebay UK Equity Fund	-0.49%	18.61%	11.04%	-1.81%	23.50%	2.42%	1.26%
FTSE All Share	-2.38%	16.75%	13.10%	-9.47%	19.17%	-9.82%	5.19%

Performance over 12 months, 3 years, 5 years and since launch:

	1 year	3 years	5 years	Since launch
VT Castlebay UK Equity Fund	24.52%	32.99%	58.60%	64.84%
FTSE All Share	26.71%	9.89%	35.69%	31.92%

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.

Tracking Error	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
7.79	81.69	95.04	63.51	61.11	0.78	6.95	Large/Growth

Volatility Measurements	
3-Yr Std Dev (volatility)	14.60%
3-Yr Mean Return (average)	9.97%

Investment Style Details	
Giant	23.12%
Large	21.48%
Medium	31.23%
Small	16.70%
Micro	3.14%

Top 5 Holdings (26 holdings)		
Victrex PLC	Basic Materials	5.31%
Admiral Group	Financial Services	5.21%
Unilever PLC	Consumer Defensive	5.10%
Diageo	Consumer Defensive	5.01%
Reckitt Benckiser Group	Consumer Defensive	5.01%

Top 5 Sectors	
Consumer Defensive	31.39%
Consumer Cyclical	20.62%
Industrials	13.91%
Healthcare	11.29%
Basic Materials	10.43%

UPDATE….

We have had several updates with the team, and this remains on our watch list (a watch list may mean that we invest in it or are currently monitoring it). What we like about this is that the team are consistent. They publish a list of companies that are in their investment universe and those that are in the portfolio. This is a concentrated portfolio of 26 names so it means there should not be any surprises.

We have spoken to them in the past about the value / growth debate and they explained as before that this really treads across value, growth, and quality. Diageo is an example they used when we last met. This is a company they watched for five years, and it was only in March 2020 that the opportunity arose to invest. Because they are long term holders there will naturally be some benefit from a re-rating in the share price, but also it enables them to benefit from the compounding effect, which, over time will be greater.

Interestingly when you look at the performance, what investors get is consistency. This is not a fund that should suddenly spike one year and then drop away the next. It should provide steady returns which have proven to outperform. The fund was started with a blank sheet of paper, and transparency has always been key so that if they change it becomes clear and this can be challenged. They are also very honest that it is about learning from mistakes and making things better.

We talked about the sudden rush to ESG, and they mentioned relative moralism. They explained that they look at businesses that can be sustainable and that doesn't mean sustainability in the sense of ESG.

For example, they invest in tobacco companies who are re-inventing themselves, and they also talked about another company which aims to have a 50/50 gender target for senior management, and although it seems more about ticking the box, the company itself is a great company. The point being is that they do not want to green wash the fund. They want to be honest and invest in good long-term businesses and not be hand tied.

In terms of changes, they have sold Rotork, where they felt the value was going in the wrong direction. It is still in their investment universe but as it stands they felt it was right to remove from the portfolio. The other change was Croda, where the value has gone up, and they felt it was slightly more expensive over the long term. They have reduced the weighting and recycled the money into Burberry, Diageo, and Page Group.

One final point of discussion which we have talked about many times is key man risk. They are currently looking at a more permanent solution, but it is important to understand that if something happened then Value-Trac administration services would take on the strategy. Because this is transparent if assets had to be sold, this would be easy to do. As a secondary point this is a partnership and the aim is for Castlebay to be a legacy that they can leave behind. This is a long-term project and not something that they want to sell out of. Assets have grown and the fund has just over £83 million invested and they manage touching £125 million.

In summary, why we like this is because it is a true all cap strategy: it delivers consistent performance, it is transparent, and we can quickly see if anything is wrong, and this is a team that are very honest and quick to learn from mistakes. This is a fund that is a great way to invest in the UK and is true to its word. Touching on key man risk, to some extent this is no different to large companies where star managers suddenly leave. Even in these scenarios we are often forced to sell out as the strategy changes.