# 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 | 3rd January 2017 |
|---|---|
| **Fund Factsheet Link** | https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000YGNG |

| Management | |
|---|---|
| **Manager Name** | **Start Date** |
| Keith Ashworth-Lord | 3rd January 2017 |

## FUND PERFORMANCE

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

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| **CFP SDL Free Spirit Fund** | 18.55% | -5.44% | 31.30% | 13.65% | 18.72% |
| **FTSE All Share** | 11.02% | -9.47% | 19.17% | -9.82% | 14.66% |

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

| | 1 year | 3 years | Since launch |
|---|---|---|---|
| **CFP SDL Free Spirit Fund** | 31.97% | 57.91% | 98.60% |
| **FTSE All Share** | 26.95% | 11.37% | 23.84% |

*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 |
|---|---|---|---|---|---|---|---|
| 14.83% | - | 76.30 | 49.06 | 58.33 | 0.55 | 8.39 | Small/Growth |

| Volatility Measurements | |
|---|---|
| **3-Yr Std Dev (volatility)** | 16.55% |
| **3-Yr Mean Return (average)** | 16.45% |

| Investment Style Details | |
|---|---|
| Giant | 3.42% |
| Large | 8.13% |
| Medium | 22.64% |
| Small | 25.15% |
| Micro | 22.79% |

| Top 5 Holdings – 28 Equity Holdings | | |
|---|---|---|
| Tatton Asset Management PLC | Financial Services | 4.34% |
| dotDigital Group PLC | Technology | 4.26% |
| Bloomsbury Publishing PLC | Communication Services | 3.67% |
| EKF Diagnostics Holdings PLC | Healthcare | 3.61% |
| QinetiQ Group PLC | Industrials | 3.61% |

| Top 5 Sectors | |
|---|---|
| Industrials | 24.53% |
| Technology | 16.81% |
| Communication Services | 16.16% |
| Financial Services | 11.83% |
| Healthcare | 11.63% |

**UPDATE….**

We have previously written an update on this, and this opportunity was more about meeting the team and digging a little deeper into the fund and the process. It is worth just touching on the Buffettology Fund as the Free Spirit strategy has come from this. There is around an 85% difference between the two funds. The Buffettology Fund has grown to around £1.8 billion, and it means that it can’t invest in the lower end stocks. So Free Spirit was launched with a multi-cap mandate but with a natural small to mid-cap bias. As companies grow then they will hold them if the story remains strong. In a sense the two strategies are similar in their approach but different in what they hold.

One of our concerns in the past was the team (or the lack of a team). This has changed, with two analysts joining. This has enabled the company to minimise key person risk and embed the process within the team.

The strategy looks to hold between 25 and 40 stocks, with the focus on long term investments, (11 companies have been in the portfolio since its launch and uses the business perspective investing approach). The approach is that excellent businesses purchased at a fair price deliver excellent investment opportunities.

Most of this stems from whether they would be happy to invest their own money into the business and would they be happy to own it? Some of the features of an excellent business are enduring franchise, proven business model, higher return on capital and equity, higher return on capital and equity, strong cash flow, robust balance sheet and strong senior management.

This focus reduces the investment universe to around 300 companies, which ends up with around 45 to 60 companies on the watchlist. We talked about how long a company can sit on this list. They explained it can be until all the stars align. In the Buffettology Fund it took 8 years for one fund to be added!

We discussed ESG, and although this is not an ESG strategy there are elements that incorporate this. They want to invest in businesses that are going to be around for the long term and therefore factors like management are crucial to the end decision. It also means that certain business where they can't forecast future returns (like oil and gas, and miners) are excluded.

The fund currently holds around 17% in cash; they like have cash as this provides liquidity to pick up opportunities when they arise. Even with this level of cash, the fund has outperformed the wider market.

In terms of the sell discipline there are four reasons – something changes in the business (can be internal or external), there is a black swan event (like COVID) where the outcome could not have guessed, if they have got something wrong and when there is no cash (and they want to switch one investment for another).

In summary, they see this as a strategy you can invest in and then leave it. They have displayed excellent performance with Buffettology and with this fund since launch. It is not immune to periods of underperformance, especially where value is in favour (but Keith feels value tends to be businesses that he wouldn't want to hold). We have said before that this is an interesting strategy and would add to our Watch List.