LWM Consultants Ltd

SHINING A LIGHT ON THE……
Brown Advisory Global Leaders Fund

AT A GLANCE

Investment Objective
The objective of the Fund is to achieve capital appreciation by investing primarily in global equities. Under normal circumstances, the Fund aims to achieve its investment objective by investing at least 80% of its net assets in global equity securities. The Fund also will, under normal market conditions: (1) invest at least 40% of its net assets outside the United States (including Emerging Market Countries) which may be reduced to 30% if market conditions are not favourable, and (2) hold securities of issuers located in at least three countries.

Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F000014TA8

Management	
Manager Name	**Start Date**
Michael Dillon	1st May 2015
Bertie Thomson	12th May 2016

FUND PERFORMANCE

Performance from 1st January 2016 to 31st August 2021:

	2016	2017	2018	2019	2020	2021
Brown Advisory Global Leaders Fund	17.15%	22.59%	2.93%	29.28%	16.43%	10.76%
FTSE All World NR	28.82%	13.24%	-3.95%	21.64%	12.43%	12.65%

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

	1 year	3 years	5 years	Since launch
Brown Advisory Global Leaders Fund	20.74%	49.12%	113.59%	155.30%
FTSE All World NR	22.16%	37.69%	78.53%	109.00%

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	Information Ratio	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
5.47	0.54	-	88.30	96.16	36.11	0.96	-2.29	Growth/Large

Volatility Measurements	
3-Yr Std Dev (volatility)	15.37%
3-Yr Mean Return (average)	14.25%

Investment Style Details	
Giant	55.34%
Large	39.22%
Mid	4.48%
Small	0.00%
Micro	0.00%

Top 5 Holdings – 31 Equity Holdings		
Microsoft Corp	Technology	9.37%
Alphabet Inc Class C	Communication Services	6.16%
Visa Inc Class A	Financial Services	5.78%
Mastercard Inc Class A	Financial Services	4.57%
Tencent Holdings Ltd	Communication Services	4.23%

Top 5 Sectors	
Technology	27.89%
Financial Services	25.08%
Communication Services	18.45%
Industrials	7.70%
Healthcare	6.63%

Top 5 Regions	
United States	61.48%
Switzerland	5.34%
Germany	5.26%
China	4.28%
Taiwan	3.74%

UPDATE….

The global fund space is crowded and everyone will claim they are doing something different. This is a concentrated portfolio of 30 to 40 names with a quality bias overlay. They look to identify the very best companies which offer dominate business models, strong value propositions and can compound over many years. They also operate a sub bench of names which they would like to add but are too expensive. The sub bench is managed like the fund, so the names are constantly being reviewed.

To understand valuation, we talked about Tesla and Microsoft. There are four areas they look at – franchise quality, quantitative measures, management quality and investability. With Tesla, it fails in several areas, whether it is governance, the potential danger to the business model or the valuation. Whereas Microsoft has a strong moat and the potential to compound even if inflation is high. The only error with Microsoft was that they did not hold enough in relation to the potential opportunities it offered, and therefore the weighting is now high.

We talked about the team approach, and they explained that this comes across from different angles. They have a dedicated ESG team who look across different areas to identify things that drive value within a company. They believe that, although many claim to look at ESG they just focus on the G, whereas they have a rounded approach. They feel the E and S are just as important. They are constantly adding to their resources in this area and this is important, especially ESG in emerging markets, which many managers are missing.

The analysts also play an important part in the selection of stocks, talking to customers, management, and looking at supply chains to really understand a business. They also have an investigative research team who are there to uncover things that they cannot find via the other routes of research.

One other angle is that the managers meet with a behavioural coach once a quarter. This is about recording what they do and then being challenged on this. As a result of this they have enhanced the process.

As an example, they have a drawdown review where, if a stock drops more than 20%, they ask whether they should buy more or sell. This applies to the sub bench and the fund. Another area was if a stock price rises, should they buy? And then if they do buy a new position, they should be fully invested within two months and on the flipside, if they sell out, they sell out immediately. As a result of these changes performance is now driven by both investment and capital selection whereas before it was skewed towards investment selection.

We talked about how they select companies and they explained they can only really look two years ahead. Beyond that it is about whether they think a company will be there in five years' time (or more). This is where all the different teams play a part. They want the very best companies which have economic moats and could still be ahead of the market in five years' time. This naturally leads them to certain sectors, and areas that they avoid. So currently the fund is not invested in sectors like energy and real estate. There are areas they like, like healthcare, but much of what they would like to invest in is too expensive and is currently sat on the sub bench.

Although they are benchmark agnostic they do look at under and over weights as they want to make sure they have a diversified portfolio. This also applies to the sub bench. In the sell-offs in March 2020 and also the rotation to value in November, they were able to add five tech names to the portfolio, so patience is really key to the strategy.

In summary, the performance has been good, and the blended approach means that they did not fall massively behind the index when the value rally happened, and equally they did not lose out with the growth rally. Clearly the team input is a crucial part to the success of this strategy. Finding the best companies means they can be selective, and valuation plays an important in this. In fact, nine out of ten companies fail on the valuation test. As there are so many global funds, we feel we would add to the watch list and monitor alongside other options.

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