

**SHINING A LIGHT ON THE.....
Heriot Global Fund**

AT A GLANCE

Investment Objective
The aim of the Fund is to provide capital appreciation over the long term (5 years or more) by investing in dividend growth companies. The Fund invests in listed global equities. The Fund aims to invest in a portfolio of approximately 60-100 companies which have high levels of profitability and cash generation, consistent re-investment, low levels of debt and prudent governance in order to deliver the investment objective. The Investment Adviser will perform research to identify shares in companies that provide this. To the extent that the Fund is not fully invested in the asset class listed above, investments may be made in money market instruments, deposits, cash and near cash. Such investments are not intended to be more than 10% in aggregate of the value of the Fund.

Inception Date	20 th March 2013
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000QDA9

Management	
Manager Name	Start Date
Investment Team	20 th March 2013

FUND PERFORMANCE

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

	2016	2017	2018	2019	2020	2021
Heriot Global Fund	23.84%	16.21%	-0.46%	26.97%	16.97%	16.92%
MSCI ACWI NR	28.66%	13.24%	-3.78%	21.71%	12.67%	16.47%

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

	1 year	3 years	5 years	Since Launch
Heriot Global Fund	27.38%	69.54%	101.02%	189.69%
MSCI World NR	32.46%	51.12%	76.98%	171.19%

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
6.49	0.69	-	82.95	75.71	44.44	0.79	1.82	Blend/Large

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Volatility Measurements	
3-Yr Std Dev (volatility)	11.89%
3-Yr Mean Return (average)	19.24%

Investment Style Details	
Giant	43.20%
Large	41.16%
Medium	14.36%
Small	1.28%
Micro	0.00%

Top 5 Holdings – 71 Equity Holdings		
Microsoft Corp		2.68%
PayPal Holdings		2.66%
ASML Holding NV		2.42%
Lonza Group Ltd		2.03%
Sonova Holding AG		2.01%

Top 5 Sectors	
Technology	26.50%
Healthcare	23.61%
Financial Services	15.53%
Consumer Defensive	9.04%
Industrials	8.14%

Top 5 Regions	
United States	50.09%
France	8.89%
Switzerland	8.30%
Japan	6.81%
United Kingdom	6.58%

UPDATE....

This was our first introduction to the business although we have listened to an update on how they sift! We will explain that more when we talk about the process. The company started in 2010 but didn't start investing until 2012.

For two years they built up the research bank and then went out and signed up accounts in Australia and the US. About 90% of the assets they have built up are based in these regions. This fund has around £200 million invested.

There are 14 members in the team and employees are rewarded in time if they work hard with a partnership in the business, so everyone is aligned to deliver good outcomes for investors.

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This is not a dividend fund but dividend growth is a key element to investment decisions. To pay and grow a sustainable dividend you need to be growing the business and re-investing back into the business. They also believe that if you treat the planet and staff well then you are more likely to have a sustainable business. Makes sense!

They look to hold between 60 and 75 funds. They are style and benchmark agnostic but probably fall into the defensive growth bucket. They are long term holders with a five-year focus. Trying to forward look is not easy because a lot can happen over that period. There are however clues to a business in what they have done in the past, what the culture is like, what the spending is on R&D etc. They can also compare what companies are saying to what suppliers and competitors are saying.

The other area which I found interesting was that they are very focused on their discipline and making sure the philosophy still stands. If they believe what they are doing is still right, then they can ride out any underperformance. One change they made was to ensure that when they sell out, they sell in total rather than trimming.

Ultimately they believe that sustainable dividend growth is the key to a good businesses, and this means they can develop a strategy where investors can sleep easy. They accept that when the market rallies hard this will trail, but when the market falls this is designed to protect on the downside and therefore investors will get consistency in returns.

We mentioned sifting and this is where they take sectors like autos and sift through the different companies to identify opportunities, if they exist. In doing this they look to build a picture of the sector and where the different supply chains fit in. With this exercise they didn't find any opportunities within the manufacturers but did learn that there was value within the electrification of the car. The sifting is about breaking down the sector and it can conclude that no opportunities currently exist, but all of this goes into their research bank and will be revisited.

We talked about valuation, and they explained that this needs to be driven by the growth in the company rather than by the market. So anything where the market is driving valuation they don't want to hold.

A couple of holdings we discussed were Tomra and Baxter. Tomra makes reverse vending machines and can sort food (looking for food with diseases). The business strapline has moved from helping the world to recycle to leading the resource revolution. The R&D is strong, the dividend growth strong, it has a large market share and tailwinds are in its favour.

Baxter is involved with the digitisation of healthcare for home settings. Dividend growth is over 15% p.a. over 5 years.

We talked about whether this is an impact strategy. They do not want to be placed in this group as it doesn't specifically have an impact agenda. They believe if you get Governance right then the rest follows. They have a stewardship code which outlines what they believe in. They do a lot of ESG work but this is not necessarily the driver. However, the nature of how and where they invest does lead this to look and feel like a sustainable / responsible / ESG strategy.

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In summary, the global fund market is vast and it really depends on that you want. The managers operate under the view that they do not look at anyone else and they do what they do because they believe in what they are doing!

The fund has outperformed the index and held up well during the period over the last 12 months of a pure tech rally and then a value rally. Although it has exposure to Alphabet, Apple, and Microsoft it doesn't have all the names that rallied well last year. Equally they don't see themselves as a particular style and therefore wouldn't necessarily have done well during the value rally.

As a counterbalance and a safe pair of hands then this is where we believe this fund sits. Interestingly they are about to launch a smaller company's strategy. This will pick up on some of the holdings they cannot hold in this strategy and will be more volatile. We would add this to our watchlist.

The source of information in this note has been provided by Dundas and is correct as of November 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.