

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

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

FUND PERFORMANCE

Performance from 1st January 2016 to 28th February 2022:

	2016	2017	2018	2019	2020	2021	2022
VT Castlebay UK Equity Fund	18.61%	11.04%	-1.81%	23.50%	2.42%	13.30%	-6.51%
FTSE All Share	16.75%	13.10%	-9.47%	19.17%	-9.82%	18.32%	-0.80%

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

	1 year	3 years	5 years	Since launch
VT Castlebay UK Equity Fund	9.51%	24.52%	43.16%	72.45%
FTSE All Share	16.03%	18.37%	25.68%	47.20%

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
8.53	80.57	85.75	74.12	52.78	0.76	2.62	Large/Blend

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Volatility Measurements

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

Investment Style Details

Giant	18.63%
Large	31.00%
Medium	25.06%
Small	16.83%
Micro	5.32%

Top 5 Holdings (27 holdings)

Admiral Group	Financial Services	5.31%
British American Tobacco PLC	Consumer Defensive	5.18%
Diageo	Consumer Defensive	5.04%
Reckitt Benckiser Group	Consumer Defensive	4.81%
Compass Group PLC	Consumer Cyclical	4.80%

Top 5 Sectors

Consumer Defensive	30.95%
Consumer Cyclical	28.47%
Industrials	11.41%
Healthcare	9.26%
Basic Materials	7.55%

UPDATE....

This is a strategy we like and have on our watch list (this is where we may invest in the fund now or in the future or are monitoring it). The strategy is very clear, they like quality businesses but not at any price. One example we have discussed is Diageo, who they have followed for many years, but it was only in 2020 that the valuation was right to add the business.

They see quality as those businesses which can generate high returns on their capital, protect products and services from competition, allocate capital effectively with low or no debt and generate high levels of cash after the cost of doing business.

We often talk about how we feel when markets are not doing what we want. They have seen this many times. In 2020 there was a bounce in quality and then a rotation to value. They argue that sticking to the process is important and not to get distracted by short term noise. Once you go outside of the process then you make mistakes.

They believe that high quality businesses will keep value intact whatever the storm. However, they are not so rigid that they ignore black swan events. In 2020 they went through all the holdings to see where a business might be in six or twelve months if they couldn't do business. This approach also highlights another aspect of how they approach investing.

They are fans of outcomes. If they can't see the outcome of a business, then they won't hold it. They want to find resilient businesses and allow for the security to come from the compounding of returns. Because they have a concentrated portfolio they can understand businesses well. This means when the market is negative, they can often see things that are being missed and this provides opportunities.

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As a team they are very open so we can see the holdings and those that are on their watchlist. It means we can quickly see if they go outside of the process. This gives us confidence that this is a steady compounding strategy which is good for any portfolio of funds.

We discussed research and they explained that understanding a business is really important because if customers and employees are happy you have a good business. If you have the opposite, then the damage can be massive. It is not just about talking to companies, but also understanding the products, looking at glass door reviews and studying the report and accounts.

One final point and one we have mentioned before, which is, although this is a relatively small asset manager the passion is there and the desire to leave a legacy is evident.

In summary, we continue to be impressed by the team and what they have developed. Investors shouldn't get any nasty shocks and that means this is one of those strategies you can sleep easy with. There will be periods of underperformance but it is the long-term outlook that is important, and what we like.

The source of information in this note has been provided by Castlebay and is correct as at March 2022. 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.