

SHINING A LIGHT ON THE..... LF Havelock Global Select Fund

AT A GLANCE

Investment Objective
The Fund aims to achieve investment growth (net of fees) over 3-5 years. The Fund will invest on a global basis in company shares and fixed income securities (government and corporate bonds). The Fund will invest at least 60% in company shares that the Investment Manager believes have good, long term prospects.

Inception Date	21 st August 2018
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F000010QRQ

Management	
Manager Name	Start Date
Matthew Beddall	21 st August 2018

FUND PERFORMANCE

Performance from 21st August 2018 to 31st October 2022:

	2018	2019	2020	2021	2022
LF Havelock Global Select Fund	-5.75%	15.33%	2.45%	15.22%	-3.23%
IA Flexible Investments	-8.48%	15.64%	7.01%	11.38%	-11.35%

Performance over 12 months, 3 years and since launch:

	1 year	3 years	Since launch
LF Havelock Global Select Fund	-3.37%	19.83%	24.17%
IA Flexible Investments	-10.10%	9.58%	11.82%

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
7.18	-	94.02	89.88	58.33	1.09	0.17	Value/Mid

Volatility Measurements	
3-Yr Std Dev (volatility)	16.15%
3-Yr Mean Return (average)	6.22%

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Investment Style Details

Giant	14.33%
Large	14.57%
Medium	50.01%
Small	14.48%
Micro	4.49%

Top 5 Holdings (33 holdings)

Berkshire Hathaway Inc Class A	Financial Services	6.95%
Fresenius SE & Co KGaA	Healthcare	5.04%
Newmont Corp	Basic Materials	4.78%
Henkel AG & Co KGaA	Consumer Defensive	4.48%
Svenska Handelsbanken AB Class A	Financial Services	4.40%

Top 5 Sectors

Financial Services	22.75%
Basic Materials	17.07%
Industrials	15.75%
Consumer Defensive	9.35%
Consumer Cyclical	8.38%

Top 5 Regions

UK	24.10%
US	23.85%
Germany	12.58%
Sweden	7.65%
Japan	5.62%

Fund Benchmark

Fund Benchmark	IA Flexible Investment Sector
Fund size (Mil)	GBP 80.48
Ongoing Charge (share class A)	0.99%

Bull points (pros)

- Different mix of holdings to other global strategies
- Country agnostic, focusing on the very best companies with a quality value tilt
- Less exposure to big tech and the US which tends to be the main focus of many global funds
- Concentrated portfolio enabling the team to understand each holding
- Uses a mix of analytical research overlaid with technology
- Access to investment team

Bear points (cons)

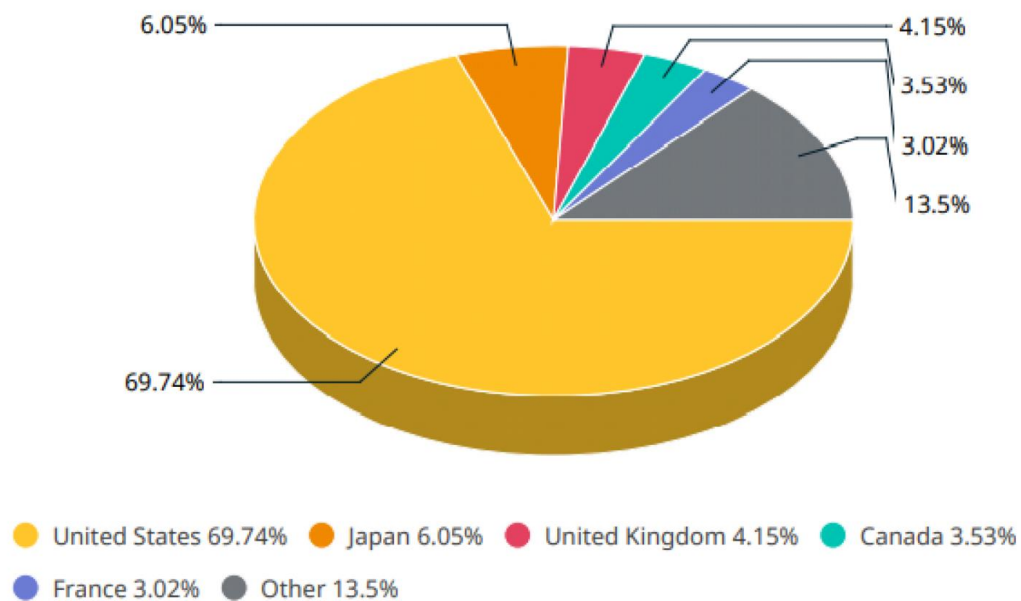
- Small team therefore fund manager risk
- Potentially not the same levels of resource compared to bigger global fund managers
- The bull of less exposure to the US and big tech could also be seen as a bear point

UPDATE....

This was our first meeting with the team. There are several aspects of the strategy which make this interesting. Ultimately with a global fund the aim is to have a global reach. However, the global index is predominately US focused.

MSCI World Index (USD)

COUNTRY WEIGHTS



Effectively many global funds are US focused and have a bias towards big tech or big well-known brands. This fund is the total opposite, looking for the very best companies using a quality / value overlay. Effectively the team are agnostic from a country standpoint and are working to find the best of the best.

What this gives investors is a very different blend, where the US weighting is significantly lower than the global index and many global funds. The chart below also highlights how the holdings will also likely be different.

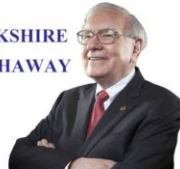
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Some Well Known

WHITBREAD



BERKSHIRE
HATHAWAY



Some Less Well Known

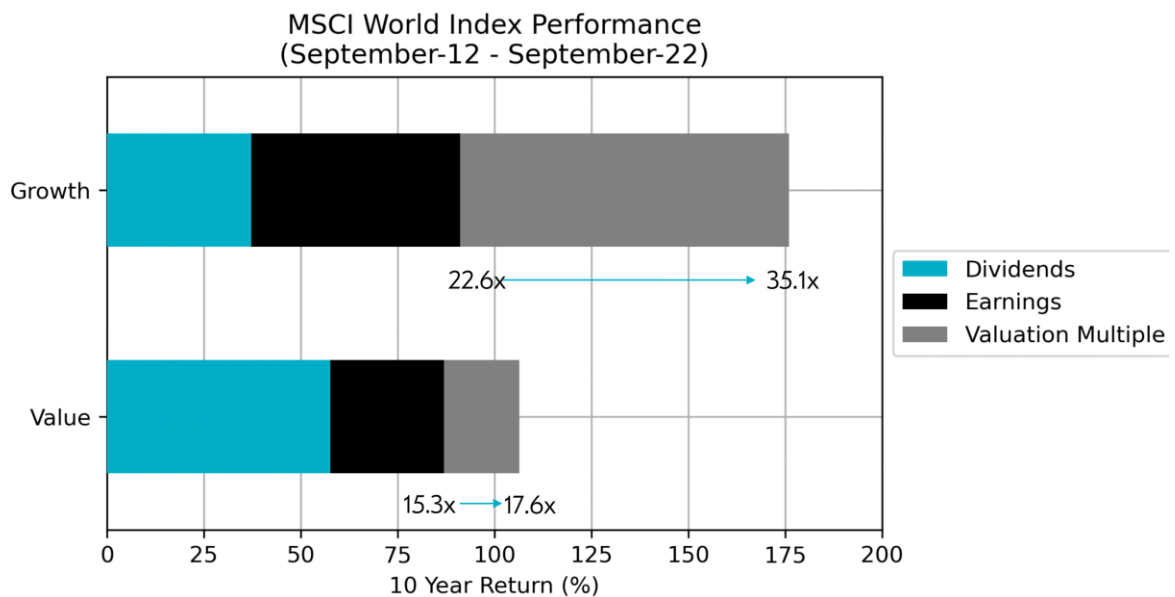


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This means the fund can act as a standalone global strategy alongside other regional strategies, or it could act as a blend with other global strategies.

The fund has a value tilt. Value tends to give a perception of beaten-up companies, and this is not what this fund is looking for. There are many who argue that growth is where you need to be, but the chart below demonstrates how much of the “growth” has come from earnings multiples:



Even with the recent correction growth remains elevated. Many specialist value managers have retired which means there is a whole part of the market that is under researched. To some extent this is reflected in managers claiming that the big tech sell-off has created “value” opportunities.

They follow a disciplined investment process using a mix of technology and analytical research. The technology is there to filter. One of the key filters is focusing on return-on-investment capital level of debt and cost.

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Ultimately they want to hold those companies with a track record of strong operating performance, financial discipline and a purchase price which doesn't reflect over optimism. So these are good quality companies with likely low levels of debt and likely strong franchises within their field.

The technology is also there to "nudge" them: whether a company is cheap or becoming expensive the system will flag and drive them to do research. All the research is written down and enables them to view thoughts over many years, building a rich resource of data.

What is quality for one company is different for another and therefore the work will depend on each company. We talked about three companies in particular.

Handelsbanken is a Swedish Bank. One of the key risks is credit and they have a high-quality focus. In investing in this area, understanding the lending discipline is really important, as are other areas such as net interest margins. In terms of other risks, the key one is the exposure to the Swedish Property Market, which is elevated, but much of the loan book is below 70% loan to value which provides a cushion should a correction occur. Once they factor in the upside and downside, they consider the potential returns and this leads to a long-term valuation.

Another stock example is Shell. Two years ago the view was that fossil fuels were dead and energy valuations were low. The question was whether it was cheap because it was a decaying business or whether a consensus view was driving down the price. The view was that the narrative was ahead of the reality and therefore this was a good investment for the team. We discussed the risk of a super tax but the team explained the price is about half that of a US equivalent business and therefore this is already reflected in the pricing. They also explained that, although it is a cyclical business, they can see predictable earnings over time.

The team don't always get things right. They invested in Norwegian Cruise prior to 2020. When COVID hit, despite the cash on the balance sheet, it was hard to understand the risks and therefore they made the decision to sell out.

In terms of selling, they tend to sell gradually rather than an immediate sell, but it will always depend on the opportunities that are around.

If we consider performance, this has been strong since launch vs its benchmark:

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From a company perspective this is a small boutique. Matthew is the fund manager and he has one analyst. The company was founded in 2017 and launched in 2018. Matthew previously managed a hedge fund. The strategy has grown and they are managing just under £100 million in assets. The key risk is if anything happens to Matthew and therefore this is something that investors would need to consider.

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In summary, investors are getting something different to other global strategies, with less exposure to the US and big tech. This is focused on high quality companies trading at lower valuations. These companies will likely have low levels of debt and strong balance sheets. The concentrated portfolio has the potential to add risk but equally it helps in really understanding the businesses they hold and the ability to identify any risks.

The source of information in this note has been provided by LF Havelock and is correct as of November 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 decide based on these notes we cannot take responsibility for this, and you should carry out your own research before deciding. We would also recommend that you receive advice before following up on any decision.