

VT Castlebay UK Equity Fund – April 2023

LWM FUND SPOTLIGHT VT CASTLEBAY UK EQUITY FUND

INVESTMENT OBJECTIVE

The fund invests a minimum of 80% in UK listed companies with the flexibility to invest up to 20% in cash, fixed interest securities or international companies. They aim to generate real returns by exceeding inflation (CPI) plus 4%, per annum, on a rolling three-year basis.

INCEPTION DATE

28th January 2015

FUND FACTSHEET

<https://www.trustnet.com/factsheets/O/m3gr/vt-castlebay-uk-equity/>

MANAGEMENT

Manager Name

David F Ridland

Start Date

28th January 2015

RATIO DATA (3-years)

Alpha	Beta	Max Drawdown	Max Gain	Max Loss	Negative Periods	Positive Periods	Tracking Error
0.87	0.71	-14.21	10.60	-7.42	71	85	7.83

OTHER DATA

Benchmark	UK All Companies
Fund Size	£174 m
Fees (C Share Class)	0.60%

BULL POINTS (PRO)

- Concentrated focused portfolio.
- Valuation discipline.
- Long term holders won't chase returns.
- Strong long-term performance.
- Boutique specialists focused on UK strategy.
- Small fund.

BEAR POINTS (CONS)

- Recent performance.
- Crowded market.

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FUND PERFORMANCE

Performance from 28 January 2015 – 31 March 2023

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling

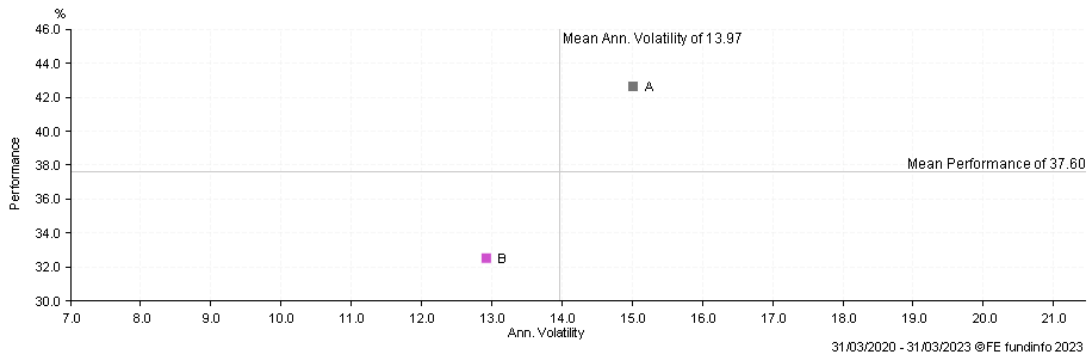


28/01/2015 - 31/03/2023 Data from FE fundinfo 2023

Please 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.

VOLATILITY / RISK SCORE

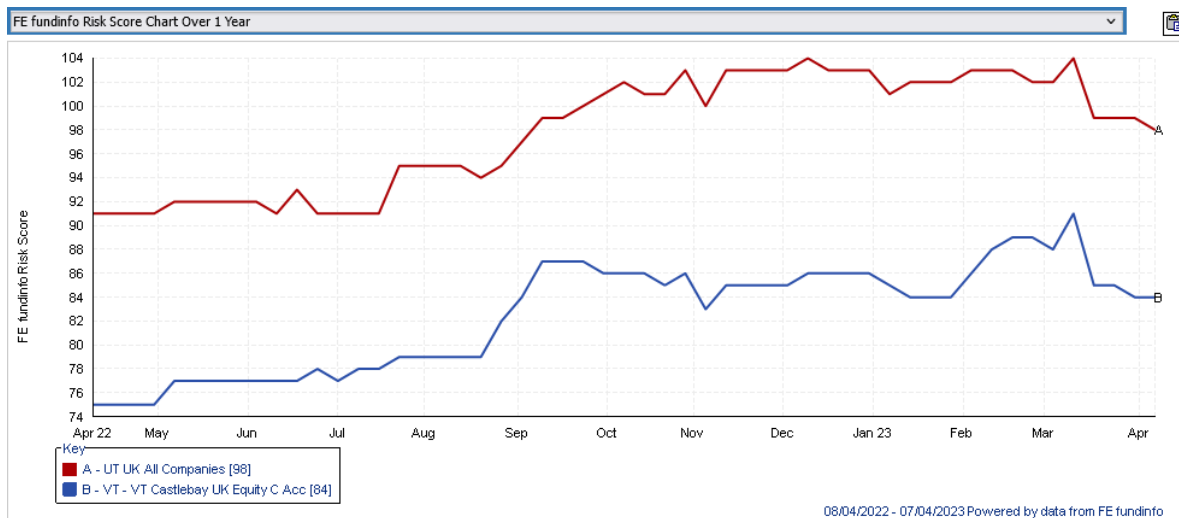
Pricing Spread: Bid-Bid • Currency: Pounds Sterling



31/03/2020 - 31/03/2023 ©FE fundinfo 2023

Key	Name	Performance	Annualised Volatility
■ A	UT UK All Companies TR in GB	42.64	15.01
■ B	VT - Castlebay UK Equity C Acc in GB	32.55	12.92

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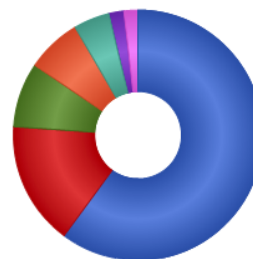


SECTOR WEIGHTINGS

Sector Weightings as at February 28, 2023

Rank	Change	Name	%
1	►	CONSUMER PRODUCTS	60.13
2	►	INDUSTRIALS	15.97
3	►	BASIC MATERIALS	8.35
4	►	HEALTH CARE	7.14
5	►	FINANCIALS	4.64
6	▲	TELECOM, MEDIA & TECHNOLOGY	1.97
7	▼	CASH & CASH EQUIVALENTS	1.81

▼ Faller ▲ Riser ► No Change ■ New Entry

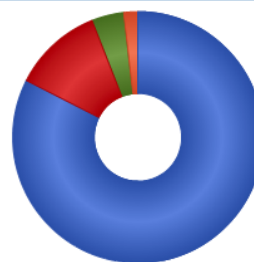


REGION WEIGHTINGS

Region Weightings as at February 28, 2023

Rank	Change	Name	%
1	►	UK	82.49
2	►	NORTH AMERICA	11.54
3	►	EUROPE EX UK	4.17
4	►	MONEY MARKET	1.81

▼ Faller ▲ Riser ► No Change ■ New Entry



HOLDINGS

Top 10 Holdings as at February 28, 2023

Rank	Change	Name	%	Sector Ranking*
1	►	BURBERRY GROUP	5.41	n/a
2	▲	NEXT	5.36	n/a
3	▼	UNILEVER PLC	5.33	n/a
4	►	DIAGEO PLC	5.10	n/a
5	▲	RELX PLC	5.10	n/a
6	▼	INTERCONTINENTAL HOTELS GROUP PLC	4.93	n/a
7	▼	INTERTEK GROUP	4.81	n/a
8	►	RECKITT BENCKISER GROUP PLC	4.78	n/a
9	►	COMPASS GROUP PLC	4.74	n/a
10	►	ADMIRAL GROUP PLC	4.64	n/a
Total			50.20	

* This is the holding ranking within the fund sector composite portfolio (calculated from all available concurrent full portfolios of funds within the sector).



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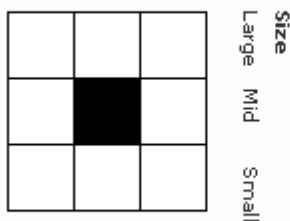
LWM FUND ANALYSIS

We have known the team at Castlebay for several years. This is a boutique UK investment manager. The strategy is to some extent very simple. Find a good quality business, and don't overpay for it. Once you have that then you look to hold and compound returns over time. This means that turnover is relatively low on the strategy.

One of the examples of this is Diageo, a company on their watchlist for five years. They invested in 2020 when the valuation was at what they considered to be at the right level (prior to that it had been too expensive).

Morningstar Style Box[®]

Equity Style



They don't have a style bias, but this would fall more into a blend between value and growth.

There will be periods when the strategy underperforms but their argument is focusing on the journey from "a to b". If they hold good quality resilient businesses then these can ride out any short term market fluctuations.

As a team they are open to what they hold and what they would like to hold. From an investor standpoint, this is refreshing but also ensures that there shouldn't be any nasty surprises.

The fund can hold up to 20% in overseas companies. Below is an example of the investment universe and holdings.

Castlebay Investment Universe				
UK Companies				
Admiral Group	Domino's Pizza Group	Relx	Fevertree Drinks	Kainos Group
Avon Rubber	Dunelm Group	Unilever	Games Workshop	LSEG
Bioventix	Imperial Brands	Victrex	Greggs	Moneysupermarket.com
British American Tobacco	Intercontinental Hotels	Auto Trader Group	Halma	Sage Group
Burberry Group	Intertek Group	Bunzl	Hargreaves Lansdown	Softcat
Compass Group	Next	Electrocomponents	Howden Joinery Group	Spectris
Craneware	Nichols	Experian	IMI	Spirax-Sarco Engineering
Croda International	Pagegroup	FDM	IntegraFin	AIM: Focusrite
Diageo	Reckitt Benckiser		Judges Scientific	James Halstead
International Companies				
Accenture	Novo Nordisk	Euronext	Illumina Inc	Mettler-Toledo Intl
Autozone	Amadeus IT Group	Factset Research	Industria de Diseno Textile	Microsoft
Colgate Palmolive	Brown Forman Corp	Geberit	Intuit	Moody's Corp
Edwards LifeSciences	Clorox Company	Grandvision	Kone OYJ	Pepsico
Estee Lauder Co.s	Coloplast	IDEXX	Mastercard	Rollins

- The companies in blue are new additions to the universe at the last refresh.
- The 27 companies highlighted in bold are current positions in our portfolio.

Our investment universe is truly unconstrained and completely transparent

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The chart below shows performance over five years:

Cumulative Performance (GBX)					
	3 Months	6 Months	1 Year	3 Years	5 Years
Fund	0.55%	10.84%	4.59%	29.54%	39.40%
Sector	-0.21%	14.76%	-0.03%	38.23%	17.68%
Relative to Sector	0.77%	-3.41%	4.62%	-6.28%	18.45%
Rank in Sector *	133 / 250	216 / 250	89 / 249	177 / 231	17 / 217
Fund Quartile *	3	4	2	4	1

Discrete Annual Performance to Last Quarter End (GBX)					
	0-12m	12m-24m	24m-36m	36m-48m	48m-60m
Fund	2.41%	3.94%	24.52%	-6.89%	14.70%
Sector	-1.48%	5.74%	36.93%	-19.04%	3.16%
Relative to Sector	3.95%	-1.70%	-9.06%	15.01%	11.18%
Rank in Sector *	103 / 249	158 / 241	203 / 231	14 / 223	1 / 217
Fund Quartile *	2	3	4	1	1

Performance by Calendar Year in (GBX)					
	YTD	2022	2021	2020	2019
Fund	3.03%	-6.76%	13.30%	2.42%	23.50%
Sector	4.01%	-8.49%	17.16%	-6.26%	21.80%
Relative to Sector	-0.94%	1.89%	-3.29%	9.26%	1.39%
Rank in Sector *	188 / 250	135 / 246	205 / 238	35 / 229	94 / 221
Fund Quartile *	4	3	4	1	2

Fund Price Movement (GBX)					
12 Month High	180.49 (Pence)		12 Month Low	155.89 (Pence)	
Annualised Ratios Over 36 Months					
	Alpha	Beta	Sharpe	r ²	Volatility
Fund	0.57	0.75	0.49	0.75	12.92
Fund Quartile *	3	4	3	4	1

*Ranks & quartiles shown are for the primary share class, VT Castlebay UK Equity A Acc

There are two important factors for investors. Firstly, volatility is lower than the benchmark and secondly over the long term this has delivered strong returns.

This perhaps provides clues to the style and why investors may wish to consider this as part of their UK exposure. At the start we identified the team have a quality focus. They are bottom-up stock pickers.

They are looking for those businesses which can generate high returns over the long term. They also focus on a small number of businesses so that they can really understand them. But key to all of this is being patient; when there are periods of underperformance this is not about chasing returns but allowing those quality companies to shine, which over the long term, if they have done the research well, will.

Key Metrics	Castlebay UK Equity Fund	Market
Return on Equity	41%	16%
Operating Profit Margin	21%	14%
Net Debt to Equity	62%	76%
Cash conversion (CFFO/OP)	96%	93%
Free Cash Flow Yield	4.8%	5.0%

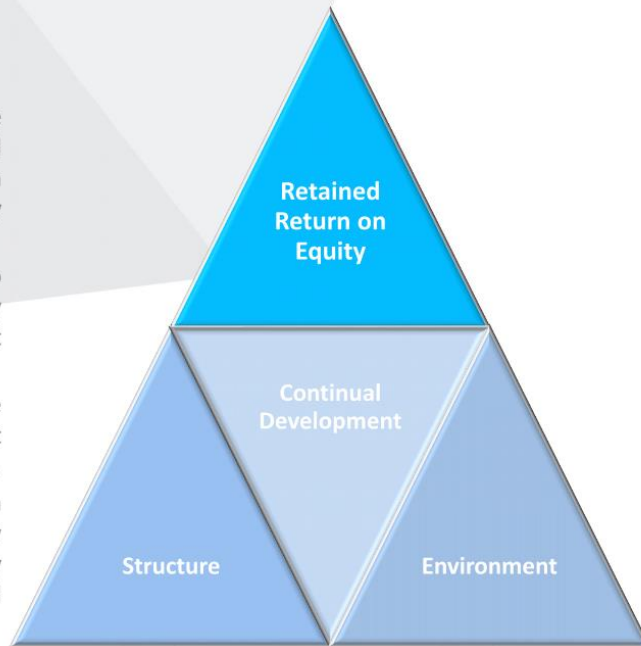
Data as at 20th MAR 23 Source: Bloomberg; Valu-Trac

Retained Return on Equity (RROE): is the rate at which our companies can compound shareholder equity value. Investors often neglect this in their analysis. Instead they speculate on share price movements.

Continual Development: We endeavour to learn from our mistakes and more generally to improve how we make investment decisions.

Environment: We are based away from the market crowd and noise. Our environment helps us to make good investment decisions.

Structure: We have the right long term incentives to deliver for our fellow shareholders. We can manage money without many conflicts and pressures faced by listed managers.



They believe the strategy sits in a sweet spot. You can buy a quality business but you don't want to overpay for it because the potential longer term returns are already in part within the price you are paying. Equally there is no point in chasing a lower quality company because the price is cheap.

For them it is about find the right business and waiting until it is attractively valued. This requires time and patience.

Chart 1: Buying expensive Co.

- Buying a quality business at an expensive valuation means you have to wait for the business to earn its valuation over the next three years.
- Time might not be on your side and agency is in part given to the market – i.e. a potential de-rating may occur.



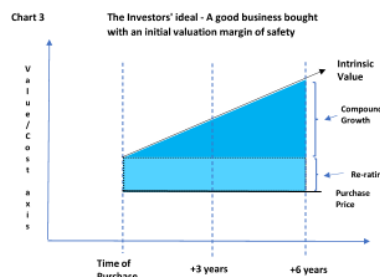
Chart 2: Buying cheap Co.

- Buying lower quality cheap companies which continue to get cheaper.
- Time is not on your side as agency is passed to the market.
- High risk of value traps and destruction of value.



Chart 3: Buying Quality value

- Patience is required and it can take time before good quality businesses become attractively valued. i.e. we waited over 5 years to buy Diageo!
- With this approach our companies are the real agents of change.
- The largest total return comes from the high compounding rate at which shareholder equity grows.



We focus on Chart 3 – so our companies, not the market, are the agents driving the fund's return

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It is also worth adding that although this is about the companies, the make-up means this is a true all-cap fund:

Style Measures			
	Measures	Market Cap	
Avg Market Cap		Category Avg Market Cap	Index Avg Market Cap
14.11 Bil		8.13 Bil	52.44 Bil
Size	Investment %	Cat. Average %	Index %
Giant	15.42	16.11	40.56
Large	33.67	20.36	37.24
Mid	28.92	28.37	20.98
Small	14.14	27.58	0.37
Micro	5.82	2.23	0.00

GBP | Investment as of 31 Mar 2023 | Category: UK Flex-Cap Equity as of 28 Feb 2023 | Index: Morningstar UK TME GR GBP as of 31 Mar 2023 | Data is based on the long position of the equity holdings.

From an investor standpoint we see this strategy as a core UK holding. There shouldn't be any nasty shocks. Investors can see all the holdings, and potential holdings. Red flags would easily show if they moved away from the list. Focusing on quality at the right price means that there is not a style bias. This can mean in periods where certain styles do well this might lag, and this really is reflected in the shorter-term performance. However, if they select the right companies and allow those returns to compound over time, then they can ride out the short-term volatility, and as can be seen in the performance, the longer-term returns come through.

The source of information in this note has been provided by Castlebay and is correct as of April 2023. 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.

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