

FUND FACTS

Fund	LF Blue Whale Growth Fund
Fund Launch Date	11 September 2017
Lead Fund Manager	Stephen Yiu
Co-Manager (October 2019)	Daniel Allcock
Fund Size	£460m
IA Sector	Global
Fund Type	UK OEIC
Base Currency	GBP
Dividend Dates	End of February, August
ACD	Link Fund Solutions (LF)
Depository	Northern Trust Global Services
Dealing	Daily at Noon
Initial Charge	0.0%
Performance Fee	0.0%

PORTFOLIO FACTS

No. of holdings	25
Avg. market cap	>£100bn

Top 10 Holdings %	54.0
Adobe	Microsoft
Autodesk	PayPal
Boston Scientific	SAP
Dassault Systèmes	Stryker
Mastercard	Visa

Geographical Breakdown %	
US	70.5
Europe	21.6
UK	2.5
Asia Pacific	1.5
Cash	3.9

Sector Breakdown %	
Technology	60.6
Healthcare	14.2
Consumer Staples	8.5
Communication Services	7.4
Consumer Discretionary	4.2
Industrials	1.3
Cash	3.9

SHARE CLASS DETAILS

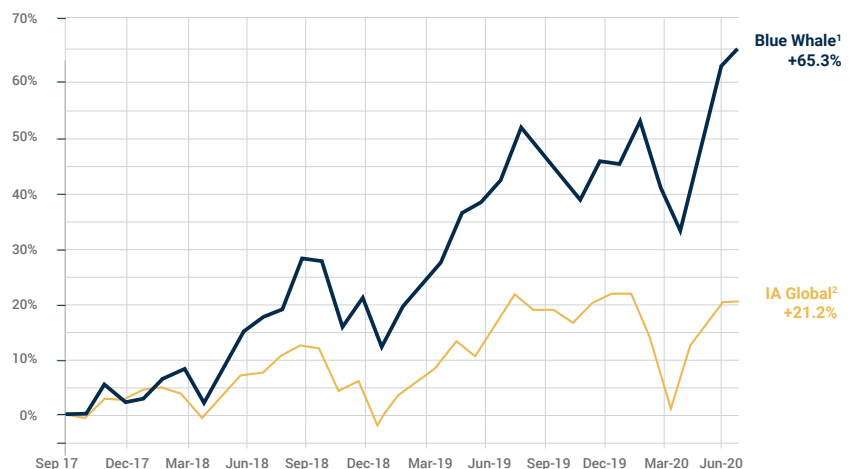
Share Class	OCF	Minimum	SEDOL	ISIN
I Acc (GBP)	0.89%	£10m	BD6PG56	GB00BD6PG563
I Inc (GBP)	0.89%	£10m	BD6PG67	GB00BD6PG670
R Acc (GBP)	1.14%	£1,000	BD6PG78	GB00BD6PG787
R Inc (GBP)	1.14%	£1,000	BD6PG89	GB00BD6PG894
R Acc (EUR)	1.64%	€1,000	BYVQ1C3	GB00BYVQ1C38

PLATFORM AVAILABILITY



PERFORMANCE

"Committed to delivering consistent significant outperformance"



	To Date 2020	2019	2018	Since Launch	Annualised
Blue Whale¹	+15.9%	+27.6%	+8.6%	+65.3%	+19.0%
IA Global Average ²	+0.7%	+22.1%	-5.6%	+21.2%	+6.9%
Outperformance	+15.2%	+5.5%	+14.2%	+44.1%	+12.1%

Past performance is not a guide to future performance.

¹I class Acc shares, net of fees priced at midday UK time, source: Bloomberg. ²IA Global Sector average, source: Lipper. ³Performance of I class Acc shares relative to funds in IA Global Sector, source: Lipper. Chart data plotted at monthly intervals; data as at the last day of the calendar month.

WHAT WE DO

- Aim to buy and hold high quality businesses at an attractive price.
- In-house research underpinning a high-conviction portfolio of 25-35 stocks.
- Significant resources dedicated to internal financial modelling and proprietary valuation metrics.
- Focus on a genuinely active, valuation-driven approach.

Investment Objective

The Investment Objective of the Fund is to achieve capital growth over any five year period, after all costs and charges have been taken.

Investment Strategy

In selecting investments for the portfolio, the Investment Manager will identify companies which, based on its analysis, meet the following criteria:

- have the ability to grow and improve profitability over the long term;
- have a current valuation that is attractive relative to their future growth and profitability;

The Investment Manager will select companies from a broad range of geographies and sectors with no particular sector or style bias.

Risk Management

- UCITS-compliant.
- Assessment of company specific risk factors, including those related to ESG, that might materially impact the business's sustainable return on investment.



THE GREAT TECH DEBATE – A NEW WORLD FOR INVESTING BY STEPHEN YIU



One topic that often comes up in our conversations with investors is our exposure to technology. We've addressed this point before but, given the significant outperformance from "Tech stocks" after lockdown, we think it would be helpful to revisit this topic, clear up some misconceptions and share our views on the New World that's emerging.

We start by addressing some misconceptions we often come across when people talk about the "Tech sector".

Misconception 1: "Tech" is a special, homogenous sector

This could hardly be further from the truth – the technology sector is in fact the most diverse and dynamic group of companies in terms of business models and the end markets served. Furthermore, the use of technology no more turns a company into a "Tech" business than a company using electricity makes it an "electric" one – it simply indicates good business sense.

A number of our [Top 10 holdings](#) are classified as "Tech" but they range from payments companies like Visa and Mastercard, which serve banks, to software companies like Adobe and Autodesk, which serve the creative and construction industries.

Misconception 2: anything related to the "Tech sector" should do well

Tech businesses do not automatically generate good returns: they must earn it.

The software companies in our portfolio have certainly earned it – they've been able to grow revenues and margins and some, like Microsoft, have even seen [a positive outcome](#) from COVID-19 and lockdown. On the other hand, there are plenty of household tech names that have not done as well: IBM, Oracle and Hewlett Packard to name a few.

Misconception 3: Tech outperformance today is just a repeat of the Tech Bubble from the 90s

At Blue Whale, we are firm believers in learning the lessons from history but calling the present day a Tech Bubble is taking the wrong leaf out of the history book.

As the economist Carlota Perez has shown, there is an adoption curve to all new technologies and the correct historical parallel to point to is in fact the discovery of electricity. Just as the use of electricity became widespread across all industries over time – in manufacturing, consumer products, professional services – so are new internet-based technologies like cloud computing and digital payments, which have matured into enterprise-grade tools to help businesses with digital transformation.

Another way to look at this topic is to ask the question: Why would you not want to be exposed to technology?

This gets to the core of our investment philosophy: If you're looking for high quality companies that can sustainably grow earnings, would you prefer to be invested in innovative companies building new markets and taking share, or would you prefer to back incumbent stalwarts running on stone age systems?

Why do more investors not invest in technology?

[Some investors actually prefer the latter.](#)

Many of these investors hold reservations about investing in "Tech" because they carry baggage from the days of the Internet Tech Bubble in the 90s. Some of these investors survived by avoiding "Tech" altogether and so have subsequently sworn off investing in anything that resembles "Tech".

However, the "Tech" that now dominates the market is very different to what was there in the 90s and early 00s. When the internet was in its infancy, many "Tech" companies had no cashflows in their business models and had no customers. Others justify avoiding "Tech" by deferring to Warren Buffett's line that it lies outside their "Circle of Competence". Unfortunately, missing out on sector returns due to a lack of expertise is a fairly poor excuse, and is something investors should be wary of. Buffett is an interesting example having displayed a strong desire over more than four decades to expand his investment acumen from cotton mills to auto insurance, he has balked at expanding it into Tech. He was only willing to develop his Circle of Competence so far. We believe that any serious investor must be open to develop their expertise in all sectors, however difficult that may be.

Investing in the New World – how Blue Whale views "Tech"

At Blue Whale, our aim is to deliver consistent significant outperformance for our investors. This is why our investment team [took the time to study](#) new technologies to understand their impact on companies' ability to sustain revenue growth and margin expansion over the longer term.

What we see now is a generational shift in the more widespread adoption of digital infrastructure that's been thirty years in the making. This is a New World defined by Cloud-based architecture, digital payment technology, and AI-enabled automation and these are the technologies that underpin the digital transformations that many companies are undergoing.

For us, the adoption of New World technologies speaks to a company's ability to adapt to changing times. These technologies enable new business models like SaaS and the app economy to flourish, transforming diverse industries from retail to advertising to manufacturing.

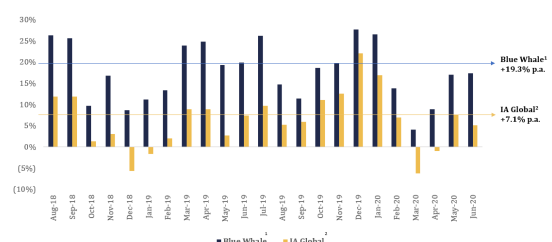
We are not a "Tech" fund

Three years ago, when we started with a blank piece of paper, our exposure to "Tech" was half of today's level. We have since found the highest quality businesses among the pioneers of digital transformation. As stewards of our investors' savings and pensions, we look for the best investment opportunities across all sectors and geographies.

Our current exposure to technology simply reflects our view of where the best opportunities exist now for consistent significant outperformance (please see chart below). We are free to move in and out of sectors should greater opportunities arise elsewhere. If the shine comes off technology (perhaps when valuations are no longer attractive) we will reposition the portfolio – as any prudent fund manager would – with the aim of ensuring we continue to invest your money in the right place and at the right time.

BLUE WHALE
GROWTH FUND

Trailing 12-month performance



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If you are unsure of the suitability of the Fund to your needs or if you feel that you do not fully understand the risks of investing in it, you should contact a reputable professional financial adviser.

The document does not constitute an offer by Blue Whale to enter into any contract/agreement. The contents are aimed at all categories of client including Eligible counterparties, Professional clients and Retail clients. As the Fund is a concentrated equity fund with international exposure, Blue Whale's preference is that less experienced Retail clients gain exposure to it through the professional advice channel (Blue Whale does not advise retail investors itself) or the discretionary management channel. The Fund (as a UCITS and hence non-complex) is available to retail investors on an execution-only basis. Blue Whale believes that whilst better suited to a more experienced audience, the Fund represents a suitable investment for those new to equity investing. You must be aware that unlike holding cash in a bank account, your capital is at risk of market movement and you should not assume that your investment will be profitable. Equity investment should be seen as a long term investment normally of at least 5 years. The value of your investment can fall as well as rise so you could get back less than you invested, especially in the shorter term.

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There are significant risks associated with investment in the Fund referred to in the document. Investment in the Fund is intended for investors who understand and can accept the risks associated with such an investment including potentially a substantial or complete loss of their investment. Past performance is not a guide to future performance.

The value of investments and any income derived from them can go down as well as up and the value of your investment may be volatile and be subject to sudden and substantial falls.

Investment in a Fund with exposure to emerging markets involves risk factors and special considerations which may not be typically associated with investing in more developed markets. Political or economic change and instability may be more likely to occur and have a greater effect on the economies and markets of emerging countries. Adverse government policies, taxation, restrictions on foreign investment and on currency convertibility and repatriation, currency fluctuations and other developments in the laws and regulations of emerging countries in which investment may be made, including expropriation, nationalisation or other confiscation could result in loss to the Fund.

Income from investments may fluctuate. Changes in rates of exchange may have an adverse effect on the value, price or income of investments. Fund charges may be applied in whole or part to capital, which may result in capital erosion. The Authorised Corporate Director may apply a dilution adjustment as detailed in the Prospectus. The Fund is not traded on an exchange or recognised market.

The foregoing list of risk factors is not complete and reference should be made to the Fund's Prospectus, KIID and application form.

Complaints

Blue Whale maintains a complaint handling policy and procedures in accordance with which it handles complaints, including complaints made by complainants who are eligible to bring a complaint to the Financial Ombudsman Service, the independent statutory dispute-resolution body for the financial services industry in the United Kingdom.

Advice

No information contained in this site should be deemed to constitute the provision of financial, investment, taxation or other professional advice in any way. You should consider obtaining professional financial advice before proceeding with any investment.

Taxation

Taxation will depend on individual financial circumstances and the country of residence. You should consider obtaining professional advice on taxation where appropriate before proceeding with any investment.