



### | Fund Strategy |

The Fund Manager's investment methodology is based upon the principle of Business Perspective Investing. We also run a concentrated portfolio of investments and try to keep portfolio turnover down. Companies selected for investment consideration must exhibit several important criteria:

- Comprehensible business model;
- Transparent financial statements;
- Enduring franchise with pricing power;
- Consistent operational performance with relatively predictable earnings;
- High returns on capital employed;
- Strong free cash flow;
- Strong balance sheet;
- Management focused on delivering shareholder value; and
- No undue reliance on acquisition-led growth.

### Fund developments and comments

#### Keith Ashworth-Lord, Investment Director & Fund Manager, Sanford DeLand



Last month I mentioned my preference for organic growth potential (rather than that bought-in via acquisitions). To deliver sustained organic growth, a company must have an identifiable competitive advantage and pricing power. The business analyst in search of an enduring franchise has a framework in Michael E. Porter's book 'Competitive Strategy'. Porter identifies five basic competitive forces, the collective strength of which determines the ultimate profit potential measured as long-term return on invested capital. These forces are intense in commodity-like businesses and relatively mild in businesses with rare skills or IP protected products. Competition continually works to drive down returns towards the cost of capital. To have sustainable, superior earnings power, a business has to possess something very special. The five interacting forces are as follows:

**Threat of New Entrants.** Fresh entrants bring new capacity, the desire to win market share and additional resources. Current prices can be deflated or incumbents' costs inflated thus reducing profitability. Resistance comes from having barriers to entry: scale economies; product differentiation; high capital entry requirements; switching costs for customers; accessible distribution channels; and incumbent cost advantages such as proprietary know-how, learning curve experience or privileged access to input factors.

**Intensity of Rivalry among Existing Competitors.** The main tactics include price competition, advertising, new product introductions and enhanced customer service. Price competition is the killer, usually leaving everyone worse off in a race to the bottom. Rivalry is likely to be heightened by factors such as slow industry growth, a large number of competitors, fixed costs necessitating high capacity utilisation and high barriers to exit.

**Pressure from Substitute Products.** Substitute products must perform essentially the same function as the product displaced. Their threat is to limit potential returns by imposing a ceiling on the prices that incumbent firms can charge. The more attractive the price / performance of substitutes, the lower the ceiling.

**Bargaining Power of Customers.** Customers compete with suppliers by forcing down prices or maybe bargaining for higher quality or quantity of goods and services. A buyer is powerful if it accounts for relatively large volumes of a seller's sales or if its purchases constitute a relatively large amount of its own costs. Other familiar factors come into play such as differentiation, switching costs or if the buyer itself operates in a low profitability industry.

**Bargaining Power of Suppliers.** Similar to that above, suppliers can threaten to raise prices or reduce the quality of purchased goods and services. The conditions making suppliers powerful tend to mirror those that make customers powerful.

I try to appraise how a firm treats its customer and suppliers, as well as to understand the nature and quality of its competitive advantage. Five-force and SWOT analysis combines to make a powerful tool. It points me in the direction of why a company is making superior returns and it flags up the questions I need to ask management. In December, the outstanding portfolio performance came from NCC Group, whose share price climbed by 23% following a favourable trading update. Another riser was Driver Group, up by 12%, where I have been slowly building our investment over the last few months. One new holding was established and we participated in the Placing by Trifast in connection with an acquisition in Malaysia. Latchways was a weak performer (down 9%), running into profit taking after the shares went ex the 40p special dividend. IPF (down 10%) also suffered from nervousness indirectly related to eurozone woes.

### | Fund Objectives |

The objective of the Fund is to seek to achieve an annual compounding rate of return over the long term which is superior to the performance of the UK stock market.

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### | Key Facts |

<b>Fund Size:</b>	£1.1m
<b>Launch Date:</b>	28 March 2011
<b>Sector:</b>	Proposed IMA UK All Companies

Top 10 Holdings	%
NCC GROUP ORD GBP0.01	6.57
GAMES WORKSHOP GRP ORD GBP0.05	4.95
RWS HOLDINGS PLC ORD GBP0.05	4.81
DRIVER GROUP ORD GBP0.004	4.70
LATCHWAYS ORD GBP0.05	4.60
TRIFAST ORD GBP0.05	4.46
SCAPA GROUP ORD GBP0.05	4.44
DOMINO'S PIZZA ORD GBP0.015625	4.43
DIAGEO ORD PLC	4.33
ROTORK ORD GBP0.05	4.29
<b>TOTAL</b>	<b>47.58</b>

Asset Allocation	%
Support Services	18.12
Chemicals	12.31
Cash/Other	10.46
Leisure Goods	9.18
Industrial Engineering	8.75
Financials	8.32
Pharmaceuticals & Biotechnology	7.91
Travel & Leisure	7.50
Software & Computer Services	6.57
Electronic & Electrical Equipment	6.55
Food & Beverages	4.33

# Premier Sanford DeLand UK Buffettology Fund<sup>®</sup>

## Premier Castlefield Funds OEIC



### Investment Team

#### I Castlefield Investment Partners LLP (Castlefield) I

Castlefield manages a range of assets on behalf of charities, pension schemes and private individuals. Headquartered in Manchester, it also has representation in Scotland. It manages both directly-invested portfolios for its own clients plus the assets of a range of authorised OEIC sub-funds, on behalf of a wide range of underlying investors. It is authorised and regulated by the Financial Services Authority. Castlefield Investment Partners LLP is the Investment Adviser of the Premier Castlefield Fund OEIC.

#### I Sanford DeLand Asset Management Ltd I

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**Sanford DeLand**  
ASSET MANAGEMENT

Business Perspective Investors

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#### I Keith Ashworth-Lord, Investment Director & Fund Manager, Sanford DeLand I

Keith is a graduate of the Natural Sciences with a Master's Degree in Management Studies from Imperial College, London. His career spans over thirty years in equity capital markets, working in company investment analysis, corporate finance and fund management. He is a Chartered Fellow of the Chartered Institute for Securities & Investment and he holds the Investment Management Certificate of the United Kingdom Society of Investment Professionals. In recent years, he has won four stock picking awards conferred by Thomson-Reuters StarMine.

### Fund Information

<b>Annual Management Charge</b>	0.2% (min £45,000 p.a)
<b>Investment Adviser Fee</b>	1.5% p.a
<b>Initial Charge</b>	5%
<b>Accounting Dates</b>	28 Feb, 31 Aug
<b>Payment Dates</b>	27 May, 27 Nov
<b>Valuation Point</b>	12 noon, daily
<b>Share Class</b>	General Income
<b>Published Price</b>	<a href="http://www.thecastlefieldfunds.co.uk">www.thecastlefieldfunds.co.uk</a>
<b>ISA eligible</b>	Yes, stocks & shares
<b>Min. Investment</b>	£500/£50pm

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