

Never doubt yourself and be patient

Sanford DeLand Asset Management's Keith Ashworth-Lord explains how he ended up holding an exclusive licence to use Warren Buffett's investment style.

Adam Lewis, FE Professional contributor



Ask

Keith Ashworth-Lord, founder of Sanford DeLand Asset Management and manager of the CFP SDL UK Buffettology fund, to describe the early days of his management career and he says he was both trigger happy and lacking any robust investment methodology.

Having entered the industry in the mid-1980s as a trainee investment analyst, he headed up research at a couple of stockbroking firms (Henry Cooke Lumsden and Daiwa Europe) and by the mid-1990s he was running his own money. However, he admits it was something he was not finding easy.

"I was all over the place," he says. "While I will admit a stockbrokers office is not the best place to learn about investments, I thought there had to be more to it."

It was at this point Ashworth-Lord, whose career now spans over 30 years, had what he would describe as his investment "epiphany" moment when voraciously reading investment tomes. His attention was caught by Benjamin Graham, author of both *Security Analysis* and *The Intelligent Investor*, who is widely regarded as the father of value investing.

"In the appendix of *The Intelligent Investor* was a piece written by Warren Buffett called the Superinvestors of Graham-and-Doddsville, where Buffett was looking at a group of investors, including himself, who were disciples of Graham," he says.

"Fund management is a very competitive business and getting attention is hard, so having [Buffett's] name above our door I could see working."

"People like Walter Schloss, Tom Knapp, Bill Ruane and Rick Guerin. While these names hardly register with many UK investors, what struck me was all of them, despite having different portfolios, were battering the S&P 500 year-in and year-out."

For Ashworth-Lord the common factor between all these investors was that Graham was the true north on their investment compass. As a result he began to read more about Buffett, through which he started to read about his investment partner Charlie Munger and from Munger he got to Philip Fisher, who is best known as the author of *Common Stocks and Uncommon Profits*.

So how did Ashworth-Lord get from his reading habits in the mid-1990s to launching a fund carrying Buffett's trademarked investment style on its back in March 2011?

For 13 years through to 2008 he worked with Jeremy Utton, founder and editor of the *Analyst* magazine, who like him had long been looking for an investment philosophy to anchor to and also found Buffett. One of the first things the two did was attend the Berkshire Hathaway AGM in Omaha.

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Though doing this, not only did Ashworth-Lord get to know the whole group of investors who called themselves the Buffettologists – such as David Clark and Mary Buffet – but on one occasion a mistake by Buffett's secretary got himself and Utton a two-on-two interview with Buffett and Munger.

It was in Christmas 2009 when Ashworth-Lord got a phone from Clark saying that he and Mary Buffett wanted to run a fund using Buffet's investment principles in Europe. Knowing at the time that he was running an investment partnership, and owing to the length of time they had known each other, the question asked was would he be up for it?

"I had run my own money using these principles since the late 1990s and was doing very well in a lousy market, so the methodology was working and was something I was comfortable with," he says. "I also wanted to get back into running retail money; having ran some discretionary portfolios I was keen to get back into full time and paint on a bigger canvas."

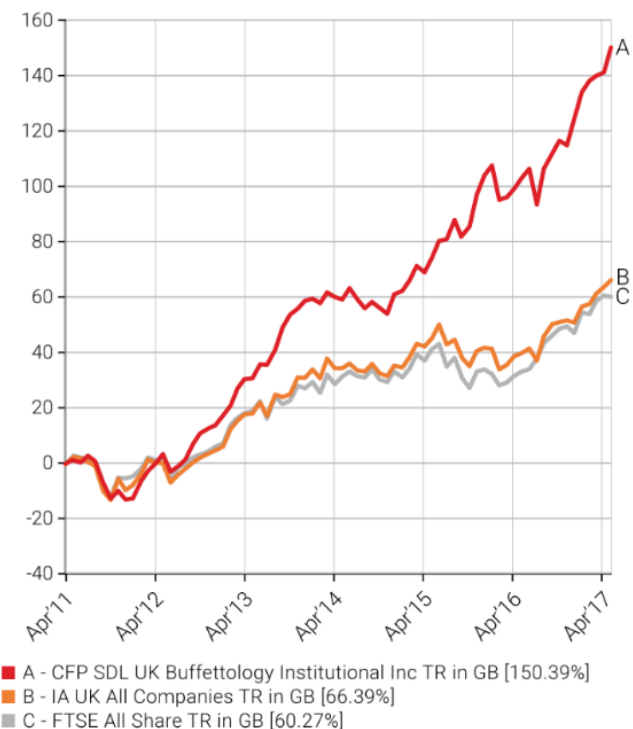
"They had trademarked the name Buffettology and proposed licensing the name to us exclusively for fund management in Europe and that was the green light. Fund management is a very competitive business and getting attention is hard, so having this name above our door I could see working."

After setting up Sanford DeLand as a fund management group, CFP SDL UK Buffettology was launched on 28 March 2011. Some six years later the fund has hit £139m, of which £111m has flowed in the last 16 months.

For the uninitiated, the methodology followed by Ashworth-Lord is based upon Business Perspective Investing. Like Buffett, he looks to invest in quality businesses that he hopes to hold "forever and a day".

"I am very comfortable with the philosophy of analysis a business as though you were buying the whole business," he says. "Some managers may prefer momentum or Growth at a Reasonable Price (GARP) investing, but for me that is all noise. All I am interested in is finding the very best businesses I can, which have what Buffett calls economic moats around them that makes them bomb-proof."

Performance of CFP SDL UK Buffettology vs sector and index since launch



Source: FE Analytics, bid to bid total return in sterling between 31 Mar 2011 and 28 Apr 2017

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What makes these stocks bomb-proof is the fact they have superior operating margins, superior returns on capital and superior cash generation. Indeed, in Ashworth-Lord's view if he is invested in a superior business with must-have products, technology or know-how, they should survive anything the market has to throw at them.

"I pay no attention to top down issues such as Brexit or the US election," he says. "In times of inflation, deflation or recession, these companies have the ability to price in the market which protects them. All I am interested in is if the business performing the way I expect and is it on track. As long as the answer is yes I will let the share price take care of itself."

Keith Ashworth-Lord

Prior to setting up Sanford DeLand Asset Management and the SDL UK Buffettology fund, Keith Ashworth-Lord was a self-employed consultant working with a variety of stockbroking, fund management and private investor clients. His work had been rewarded with the accolade of winning three top-three sectoral, and one top-ten general, Thomson-Reuters StarMine stock-picking awards.

Ashworth-Lord's professional career stretches back over 30 years in equity capital markets where his skills base covers investment analysis, fund management and corporate finance. His guiding principle is the philosophy of Business Perspective Investing – widely acknowledged as one of the most successful long-term investment strategies associated with Warren Buffett and other disciples of Benjamin Graham.

Keith is a Chartered Fellow of the Chartered Institute for Securities & Investment, having formerly been an individual member of the Stock Exchange, and he holds the Investment Management Certificate of the United Kingdom Society of Investment Professionals. Outside work Keith enjoys music, philately, American history, sport and current affairs. He is married with a son and daughter.



Such an investment methodology naturally leads to a long-term approach and it may come as no surprise that some 50-60 per cent of the companies selected in the portfolio on day one remain in the fund today. Indeed, since launch Ashworth-Lord has sold only 12 companies, three of which were takeovers.

"I am not a trader and I do not top slice and bottom fish," he says. "In the past I was too trigger happy to make profits and I made many mistakes by selling out of things too soon. Now I am an exponent of running my profits and I don't find it uncomfortable running large profits on businesses. Instead I find it lovely."

While some have suggested such an investment approach may sound a tad 'boring', in that he rarely sells or trades, Ashworth-Lord's response is that if it is boring then "save me the excitement".

"I am not saying other techniques don't work but this is the discipline that works for me," he says. "The key is never to doubt yourself and to be patient. If I cannot buy something at a price that makes sense, however much I like it, it will sit on a watch-list until the right opportunity presents itself. Just because you have done all the work, it does not mean you have to invest."

The overall result is a portfolio currently comprising seven FTSE 100 companies, eight FTSE 250s, five small-caps or fledglings and 10 companies quoted on AIM. "The fund is both sector and market cap agnostic," he says. "The portfolio ranges from holding the £60bn mega-cap Diageo, right through to a £20m holding in the AIM-listed Driver. It is all about holding great businesses."

CFP SDL UK Buffettology's top 10 holdings

Holdings	Weighting
Scapa Group	4.70%
Bioventix	4.21%
Trifast	3.80%
Games Workshop	3.77%
RWS Holdings	3.66%
Dart Group	3.35%
Mattioli Woods	3.26%
Liontrust Asset Management	3.25%
AB Dynamics	3.23%
Dechra Pharmaceuticals	3.13%

Source: FE Analytics

While having the Buffettology over the name of the door, Ashworth-Lord says he can never be a direct clone of Buffett. "There will be things he never tells anyone about," he says. "However as long as I stay true to myself and the overall philosophy, over the long road I will be fine."