

## Quarterly Review Q3 2021 CFP SDL Free Spirit® Fund

### Manager Overview

Free Spirit started the quarter strongly, generating a 5.16% return throughout July and August. As we witnessed with Buffettology, September's new value rally saw these gains given up. Of note to investors, we enter Q4 with an awful lot of purchasing firepower given our 17.5% cash position and are already starting to tentatively buy into market falls.



July, in particular, was a busy month for newsflow with over half of the portfolio reporting results or providing trading updates. We benefited from 4 double-digit risers including Kainos up +14.6% (no news flow), Tatton AM +15.1%, RELX +10.1% and Morgan Advanced Materials +10.8%. Most updates were well received and, as a result, we had 18 gainers for the month.

Of greater significance, we were pleased to initiate a new holding in Bytes Technology Group. Bytes is one of the UK's leading value-added resellers of technology products and services with a particular focus on cloud computing and cybersecurity software. The company ticked all the Business Perspective Investing boxes that we look for in a company with an excellent track record of growth, profitability, and cash generation. Bytes had originally come onto our radar through our knowledge of its larger peer, Softcat, which is held in the Buffettology fund.

August was a good month with the Fund up 3.23% beating the UK stock market which achieved 1.98%. Though quiet, there were 20 gainers, 5 of which were double-digit, led by Dotdigital (+17.4%). Outside of this group there was encouraging news from LSEG, which announced that the Refinitiv cost synergy programme was ahead of schedule (a relief to many!) and that leverage has been reduced following the divestment of Borsa Italiana. The biggest detractor to performance, however, was Avon Protection which fell -30.6% following a nasty profit warning. Delays to receipt of orders, supply chain disruption and a tight US labour market all contributed to a reduction in revenue guidance for FY21 & FY22. Coupled with a high fixed cost base, this has resulted in a significant reduction to earnings forecasts. Our long term approach enables us to look through short-term headwinds and we have added to the position more recently at lower levels.

September saw a 5.3% decrease in NAV versus a 1.2% fall for the UK stock market. Net inflows of £3.4m were almost exactly matched by £3.5m of investments into existing holdings leaving cash at 17.5% of the portfolio's net asset value. As with Buffettology, Free Spirit was not invited to the party through the second half of September. The Fund only had exposure to one of the eight industry sectors that delivered a positive return during the month. Within the portfolio there were 7 risers and 21 fallers. The risers were led by EKF Diagnostics (+5.9%) which reported an excellent set of interim results although on the deficit side the largest faller was Mortgage Advice Bureau (-18.6%) which fell on profit taking after a period of very strong performance.

### Outlook

I have made my thoughts clear numerous times about value rallies. Their short-term nature and reliance on the performance of inferior companies are the antithesis of Business Perspective Investing and yet from time to time they are to be endured. It is interesting to note that over the last few weeks many of the larger holdings in Free Spirit, Mortgage Advice Bureau being an excellent example, have seen significant profit taking after such a strong run. To me this sounds like pulling up the roses to water the weeds.

Many other fallers, including Dotdigital -14.2%, Aveva -13.5%, and YouGov -13.1%, lacked any news flow and were entirely sentiment driven. While a headwind to short term performance, these conditions provide us with better opportunities to get money to work and I reiterate that we entered October with a healthy cash position of 17.5%. We have already tentatively added to holdings in the recent sell-off to generate future long-term performance. Whilst the world remains a volatile place, we will continue to invest with our long-term Business Perspective Investing philosophy. We know of no other way.

### Q3 Activity Summary

Q3 2021	Free Spirit Fund
No. of holdings at quarter end	27
Q3 New Purchases	Bytes Technologies (1)
Q3 Sales	0
Amount deployed across new and existing holdings	£14.2m existing £4.0m new
Cash level at quarter end	17.5%

All data: Source: FE FundInfo and Sanford DeLand as at 30/09/21. All performance stated has been calculated as net. Past performance is not a guide to future performance; the value of an investment and income from it can go down as well as up.

## Performance Attribution

Over Q3 the Fund returned +0.13% vs.+2.70% for the IA UK All Companies sector. We saw in total 8 positive gainers and 19 detractors.

Top 5 Contributors	Weight	Return	Top 5 Detractors	Weight	Return
Kainos Group	4.20	28.28	Avon Protection	2.29	-25.49
Tatton Asset Management	4.41	15.45	Treatt	3.37	-13.10
RELX	3.01	12.62	Michelmersh Brick Holdings	2.85	-10.92
Craneware	2.82	13.62	Games Workshop Group	3.35	-9.39
EKF Diagnostics Holdings	3.44	11.20	Intertek Group	2.59	-9.43

Source: Morningstar as at 30/09/2021

## Company Spotlight – Dotdigital

Dotdigital is a leading global provider of email marketing and omnichannel technology that enables digital marketing professionals to create, deploy and monitor marketing campaigns. The original dotmailer product was launched in 2002, as an automated email-marketing platform. In 2019, the platform was rebranded as Engagement Cloud and it now supports automated marketing communications across email, SMS, ads, social media and live chat.

Strong organic growth and a highly regarded product have propelled dotdigital to become the largest provider in the UK. The business is also growing quickly internationally, with overseas customers now accounting for 31% of revenue. The platform is embedded in the marketing departments of over 4,000 customers, who typically sign multi-year contracts. Over 90% of revenue is recurring in nature and the average revenue generated per customer has more than doubled over the past five years. The business has continued to perform strongly throughout the pandemic, with COVID-19 accelerating digital transformation in marketing.

<b>Key Economic Moat</b>	Switching Costs
<b>Date first purchased</b>	31 <sup>st</sup> August 2018
<b>Market Cap</b>	£729.3m
<b>Market</b>	FTSE AIM 50
<b>Sector</b>	Software & Computer

## Other Updates & Manager Events

- New Hire:**  
 Sanford DeLand are pleased to welcome Chloe Smith who joins the team as an Investment Analyst.
- Q4 2021 Webinar and Nationwide Events:**

<b>London City Lunch</b>	Wednesday 20 <sup>th</sup> October, 12:30pm – 2:00pm	<a href="#">Register Here</a>
<b>Manchester Breakfast</b>	Thursday 21 <sup>st</sup> October, 8:30am – 10:00am	<a href="#">Register Here</a>
<b>SDL's Q4 2021 Update Webinar</b>	Thursday 21 <sup>st</sup> October, 10:30am – 11:00am	<a href="#">Register Here</a>
<b>Leeds Lunch</b>	Thursday 21 <sup>st</sup> October, 1:00pm – 2:30pm	<a href="#">Register Here</a>
<b>Midlands Lunch</b>	Tuesday 9 <sup>th</sup> November, 12:30pm – 2:00pm	<a href="#">Register Here</a>
<b>London West End Lunch</b>	Wednesday 10 <sup>th</sup> November, 12:30pm – 2:00pm	<a href="#">Register Here</a>

### Contact Us

For further information on the Fund, please contact the team:



020 7071 3930



[Investor-relations@sanford-deland.uk](mailto:Investor-relations@sanford-deland.uk)



## Important Information

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The Fund's Prospectus and Key Investor Information Document ('KIID') are available from [www.conbriofunds.com](http://www.conbriofunds.com) or directly from CFP. Investors should not purchase shares in the Fund except on the basis of information contained in the Fund's Prospectus. Those who are not professional investors should consider seeking financial advice if in any doubt as to the suitability of the Fund for their personal financial circumstances, before entering into any transaction.

All data as at 30 September 2021 unless otherwise stated. Signed 20211018\_0921.

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