


Castlefield B.E.S.T Sustainable European Fund

September 2018 - Factsheet

Fund Information

		Fund Manager: Rory Hammerson
Launch Date:	Sector:	
1st November 2017	IA Europe ex UK	
Fund Size	Number of Holdings:	
£12.57m	30-40	
ACD:		
Castlefield Fund Partners Limited		

Fund Objective and Strategy

The investment objective of the Fund is to seek to achieve long term capital growth. Long term means over a minimum investment horizon of five years. The Fund will invest principally in a concentrated portfolio of the shares of companies incorporated in European countries which the Manager considers to offer opportunities for capital growth. The Fund may also invest in money market instruments, units and/or shares in other collective investment schemes, deposits, warrants, cash and near cash.

The investment adviser uses a responsible investment process to identify securities in which the fund may invest. The four criteria that need to be evidenced by each investment are reflected in the name of the fund where 'B.E.S.T' indicates Business & financial, Environmental & ecological, Social and Transparency & governance.

Fund Manager

Rory Hammerson

Rory Hammerson has over 23 years of industry experience. After graduating in Spanish from St Andrew's University, Rory joined Edinburgh Fund Managers, completing a Postgraduate MSc Diploma in Investment Analysis and Accounting at Stirling University. Rory joined Scottish Widows in 1997 to help launch the Latin American desk, where he stayed until 2004, covering emerging markets and as Global Mining analyst for the firm. In 2004, Rory switched to the European desk at Scottish Widows, where he started to manage responsible portfolios, with an emphasis on smaller companies. In 2010, he moved to Kempen Capital combining ESG investment management in small-caps with a leadership role. His fund was nominated for Investment Week's Best Sustainable Fund in 2015. Rory joined Castlefield in September 2017, managing the B.E.S.T Sustainable European Fund since November 2017.

Share Class Information

Share Class	Min. Investment	Initial Charge	Investment Adviser Fee	Ongoing Charge	Payment Dates	ISA Eligible	ISIN
General	£5,000	0.00%	0.75%	1.21%	30th April/31st October	Yes	GB00BF4VR355

Source: Financial Express, as at 31/08/2018

Investment in the fund carries the risk of potential loss of capital.

Past Performance is not a guide to future performance

Fund Commentary

Summer warmth kept markets just in positive territory. The best performing countries were Norway, Finland and Portugal. The laggards were Spain, Belgium and Italy. The Castlefield B.E.S.T Sustainable European Fund rose 2% during the month, putting it 1.8% ahead of the MSCI Europe ex UK and ahead of the average performance of the 120 peers which rose 0.6%. As of the end of August the fund remains in the first quartile so far this year.

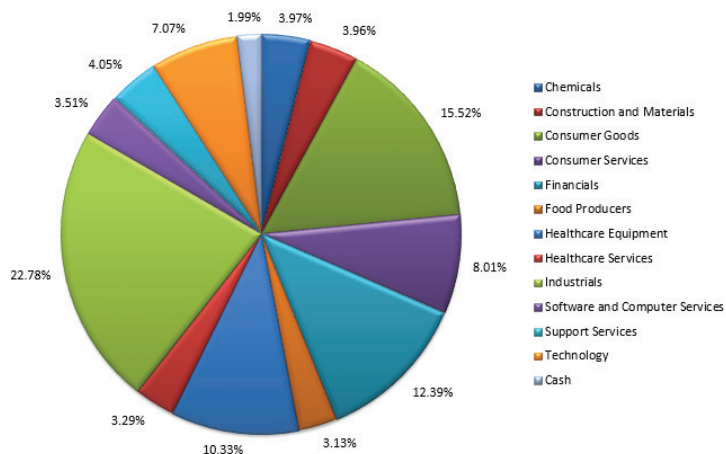
The best performing stock in the portfolio was Belimo, the Swiss based actuator manufacturer. Actuators are used in control systems such as heating and ventilation appliances, air conditioning and water flow. These solutions increase energy efficiency and reduce overall installation costs for contractors in the design and build of a project. Sales are global and the name Belimo is synonymous with quality, innovation and technological precision. Belimo reported its H1 numbers in early August, beating sell side analyst expectations, not only at revenue but also at operating profit level. All geographical areas showed good growth as did both industrial applications of air and water. We have spoken to management recently and the company is well placed to benefit from future growth opportunities. The second-best performer was Rational the German cookware manufacturer. Many hotels and restaurants use catering facilities made by Rational. Buckingham Palace is rumoured to use them. Results for the second quarter were strong, beating estimates resoundingly. Management, known for their conservative approach raised revenue growth forecasts for the year to 10-12% versus high single digits previously. Akka Technologies the French mobility consultant, produced another very strong set of results describing the strength in profitability and the vigorous business environment. It brings into focus the Clear 2022 strategy, which although almost five years away, looks increasingly copper bottomed. We engaged with the company during the quarter on issues such as independence of board composition and the challenges facing proxy voting organisations when applying resource to smaller companies' coverage. We take our stewardship responsibilities seriously and analyse AGM research in great detail before applying our vote as shareholders.

August's worst performers were Banca Ifis, Unicredit and Ingenico. The Turkish crisis during the summer brought about a general repricing of risk and Italy is perceived as one of the riskier countries within the EU due to its politics and financials. It's unsurprising to see the Italian financials facing the brunt of the volatility. We recently met with Unicredit and wrote about its small exposure to Turkey and its big opportunities in the next few years. We are due to meet with Banca Ifis during the next fortnight and will get a better picture of the medium term outlook for the company. Ingenico is a company that we feel is in play. With an extremely strong global franchise the payment market is suffering technological disruption, and this weighs on sentiment in the short term. We feel that Ingenico has the technical prowess to bridge the challenge of disruption and given its cheap valuation may well now be considered as a takeover target by privateers. We have heard of various private capital organisations looking at this sort of asset.

We added a new company to the fund during August. DIA is a Spanish listed food retailer with supermarkets in Iberia and Latin America. With a market share of nearly 10%, it remains behind the number one player by some margin but has a business model based on price and proximity. It prices itself against the hard discounters but has the advantage of better fresh produce provision and superior locations. We have been watching the company since April, when it appeared on our screens as a company in transition. The sustainability reporting of DIA is strong. The company is going through a restructuring of its shops through remodelling and rebranding and investors were gratified to see a management change with a new CEO, who has held the position of Latin American Head. We have spoken twice with the company to help us focus and hone our own forecasts, which we feel are conservative. The valuation metrics are extremely cheap and we feel that the addition of a more defensive cashflow generator suits the portfolio for the next three to five years.

Cash levels are sitting at around 1.5%. Our outlook for The Castlefield BEST Sustainable European Fund continues set fair. Ex cash the portfolio is comprised 82% of high quality companies whose business models show defensive growth characteristics. This means we have 18% in companies who are undergoing a transitional phase of their businesses providing equity investors with opportunities for outperformance. We have now met with 33 out of the 35 companies in the portfolio representing 97% of the fund. This is scheduled to rise to 100% during September. This is in line with our targets and we feel we derive much value and learning from company engagement. It is one of the most important tools for us to deepen our understanding of companies and industries.

Sector Allocation



Top Ten Holdings

1.	Teleperformance SE	4.48%
2.	Kerry Group A	4.09%
3.	Akka technologies	4.05%
4.	Symrise	3.97%
5.	Kingspan Group PLC	3.96%
6.	Scout 24 AG	3.53%
7.	Partners Group Holding N	3.52%
8.	Ubisoft Entertainment	3.51%
9.	Kone B	3.47%
10.	SAP SE	3.37%



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Important Information

This document provides information about the Castlefield B.E.S.T Sustainable European Fund. Castlefield Fund Partners Limited (CFP) is the Authorised Corporate Director (ACD) of the Fund and Castlefield Investment Partners LLP (CIP) is the appointed Investment Adviser. Both CFP and CIP are authorised and regulated by the Financial Conduct Authority. This document does not constitute or form part of, and should not be construed as, an initiation to buy or sell units and neither this document nor anything contained or referred to in it shall form the basis of, or be relied on in connection with, any offer or commitment whatsoever. The value of units and the income generated from them can fall as well as rise and are not guaranteed; investors may not get back the amount originally subscribed. Equity investments should always be considered as long term. Investors should not purchase the Fund referred to in this document except on the basis of information contained in the Fund's prospectus. We recommend that investors who are not professional investors should contact their professional adviser. The Fund's Prospectus and Key Investor Information Document (KIID) are available from www.castlefield.com or direct from Castlefield.