



CFP SDL UK Buffettology Fund

CFP SDL Free Spirit Fund

## **INTERIM REPORT & ACCOUNTS**

Sub-Funds of Castlefield Funds OEIC

For the Period 01 March 2017 To 31 August 2017

A UK Authorised Investment Company with Variable Capital



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# MANAGEMENT AND ADMINISTRATION

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The Authorised Corporate Director ("ACD") and registered office of the Castlefield Funds ("the Company"):

## CASTLEFIELD FUND PARTNERS LIMITED

111 Piccadilly,  
Manchester, M1 2HY

Castlefield Fund Partners Limited is authorised and regulated by the Financial Conduct Authority ("FCA") and is a member of The Investment Association ("IA").

## DIRECTORS OF THE ACD:

John Eckersley (Managing Director)  
Summayya Mosam (Head of Service Delivery)  
Susan Cohen (Head of Finance)

## INVESTMENT ADVISER:

Castlefield Investment Partners LLP is the Investment Adviser to the Castlefield Funds, and is authorised and regulated by the Financial Conduct Authority and is a member of the London Stock Exchange

## DEPOSITARY:

Société Générale S.A. (London Branch),  
SG House, 41 Tower Hill,  
London, EC3N 4SG

## AUDITOR:

Beever and Struthers  
St George's House  
215-219 Chester Road,  
Manchester, M15 4JE

## ADMINISTRATOR:

Société Générale Securities Services,  
SG House, 41 Tower Hill,  
London, EC3N 4SG

## REGISTRAR:

Maitland Institutional Service Limited  
Springfield Lodge, Colchester Road,  
Chelmsford, Essex CM2 5PW

## COMPANY INFORMATION

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Castlefield Funds is an Investment Company with Variable Capital under regulation 12 of the Open-Ended Investment Company Regulations and incorporated in England and Wales under registered number IC000234 and authorised by the Financial Conduct Authority with effect from 14 May 2003. Shareholders are not liable for the debts of the Company. At the period end, the Company contained six sub-Funds. The report and accounts contained within the below statements refer specifically to CFP SDL UK Buffettology Fund and CFP SDL Free Spirit Fund as sub-Funds of the Company.

The Company is a UCITS scheme which complies with the Financial Conduct Authority Collective Investment Schemes Sourcebook and is structured as an umbrella company so that different sub-Funds may be established from time to time by the ACD with the approval of the Financial Conduct Authority and the agreement of the Depositary.

## REPORT OF THE ACD TO THE SHAREHOLDERS OF THE COMPANY (UNAUDITED)

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The ACD, as sole director, presents its report and the audited Financial Statements of the Company for the period from 01 March 2017 to 31 August 2017.

The Investment Objectives and Policies of each sub-Fund of the Company are covered in the section for each sub-Fund. The sub-Funds of an umbrella company should be invested as if they were a single company. The names and addresses of the ACD, the Depositary, the Registrar, the Investment Adviser and the Auditor are detailed on page 2.

In the future there may be other sub-Funds of the company. A sub-Fund is not a legal entity.

Where a sub-Fund invests in other Collective Investment Schemes, the maximum annual management fee that may be charged to that Collective Investment Scheme is 5% of the net asset value of such a scheme, however, it is expected that the actual annual management fee will not exceed 2%.

# MANAGEMENT AND ADMINISTRATION

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## SUB-FUND CROSS-HOLDINGS

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No sub-Fund held shares in any other sub-Fund within the Investment Company with Variable Capital during the current or prior year.

## DIRECTORS' STATEMENT

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In accordance with the Regulations, we hereby certify the report on behalf of the directors of Castlefield Fund Partners Limited.

John Eckersley

Summaya Mosam

Managing Director (of the ACD)

Director (of the ACD)



31 October 2017

# CASTLEFIELD FUNDS

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## ABOUT THE INVESTMENT ADVISER

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Sanford DeLand Asset Management (SDL) is a trading name of Castlefield Investment Partners LLP (CIP), used under licence. Sanford DeLand Asset Management Limited, which owns the rights to the SDL brand, was established in March 2010 by a group of like-minded business professionals in order to cover the costs of establishing and seeding the first SDL-branded fund. The SDL branded Funds within this statement are sub-Funds of the Castlefield Funds OEIC umbrella.

Castlefield Investment Partners (CIP) is part of the Castlefield family of investment, advisory and operational support businesses. The group adopts a unique approach to looking after money, reflecting the individual objectives of all kinds of clients – from private individuals and the businesses they own and work for, to the not-for-profit organisations they help to run. CIP is authorised and regulated by the Financial Conduct Authority and is a member of the London Stock Exchange.

## INVESTMENT REVIEW OF CASTLEFIELD FUNDS

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### MARKET REVIEW

The first half of the year was dominated by Theresa May's hastily called general election. The news was immediately followed by a fall in the UK stock market and sterling strengthened for a brief spell, but this was short-lived and equities soon recovered their losses. The Prime Minister decided to roll the dice, despite well documented voter fatigue and the Fixed Term Parliament Act existing to prevent just this kind of snap election being launched. The gamble, of course, did not pay off for Mrs May and she was left with a minority government. The morning after the election, UK share movements echoed those seen after the referendum almost a year previously, with domestic-focused companies weaker and the large multinational businesses with overseas currency exposure faring significantly better.

Inflation has continued to rise due to the weaker pound, directly influenced by the decision to vote for "Brexit" in last years' referendum. The average worker will inevitably be worse off than a year ago due to rises in wages not keeping up with inflation. Whilst this has pressured disposable income over the past year, denting sentiment towards UK market sectors such as retailers, there has been some signs of emerging improvement for domestic consumer stocks.

Europe saw a sweeping victory for new French President Emmanuel Macron against the French National Front. Despite the far-right being beaten back in this particular election, Europe is still dogged by the populist rhetoric and anti-immigrant sentiment that has dominated political discord across the continent. This was evidenced most recently in the German election which saw Angela Merkel's position weakened and the far-right Alternative for Deutschland (AfD) party ride into prominence. Elsewhere, discussion over the Catalan independence referendum put the cat among the pigeons in Spain. Speculation over whether or not it would go ahead came to fruition recently but debate over the legality of the move still rages.

Across the Atlantic, June saw a high-profile announcement as President Trump confirmed the rumours that he intended to withdraw the US from the 2015 Paris Climate Agreement. The Paris Agreement was a triumph of global political will to tackle a critical issue that affects not only society and the environment as a whole but also financial markets. The agreement has been key to encouraging investors to question the valuation basis for the world's largest oil companies and to consider the need to mitigate against the potential for increased incidence of natural disasters. Although dispiriting to hear, more heartening was the number of Chief Executives of American companies and Mayors of US cities that reaffirmed their intention to meet their pledges under the Agreement. The President's words are impotent in the face of such actions.

Impotence seems to be a recurring theme for the Trump presidency. His inability to pass proposed healthcare reforms despite the Republicans controlling all branches of the government has cast doubts on whether Trump's other planned policy changes will go ahead. August saw Trump announce plans to cut corporation tax to 15% from the current rate of 35%. This saw the resumption of the "reflation trade" that was first triggered by his election. However, there is only a small margin of error for Trump to see his reforms realised. If a few Republicans in both the Senate and the House of Representatives decide that the proposed tax policy is unsuitable then it cannot be passed without Democratic votes, which Trump is unlikely to receive. US equities have consequently responded in cautiously optimistic fashion, moving higher anticipating more favourable tax rates but mindful of the policy deadlock that has characterised much of the first year of the Trump Presidency.

Governance in a corporate sense has been the key talking point with the release of the third Castlefield Stewardship Report. Castlefield promotes open dialogue with investee companies which we see as an important part of being Thoughtful Investors. In practical terms, this can mean avoiding those companies where poor corporate behaviour can result in subsequent regulatory fines or civil lawsuits. It can also mean taking account of a broader consideration of environmental risk when making investment decisions. The importance of this factor was thrown into sharp focus with the devastation caused by several hurricanes over the last quarter. Changing weather patterns as a consequence of climate change highlight that companies providing solutions to the problems of global warming and abating emissions are well positioned to mitigate climate related natural disasters and deliver long term value.

### OUTLOOK

The UK election result has resulted in a constrained mandate for the Prime Minister, which has led to an erosion of confidence within her abilities to lead on Brexit discussions. It is still unclear whether a measured, consensual approach to Brexit talks will be taken (commonly known as a "soft Brexit") or whether "no deal is better than a bad deal" will be the tone that steers the negotiations.

The Bank of England is tasked with keeping inflation at 2% and Mark Carney's recent comments indicate a normalising of interest rates from their post-Brexit record low of 0.25%, although no official decision has yet been made. Should the BoE press ahead with tightening rates however, this nascent recovery may be halted in its tracks. The effect of a rate rise will have far reaching consequences for everyone from pensioners, to workers to businesses although not all of which need be negative. Indeed, pensioners are set to see a benefit of increased inflation. The triple lock pension system means that pensioners, and some of those currently saving into private pensions, will see significant benefits. Under the triple lock guarantee, pensions rise by either 2.5%, earnings or prices, whichever is the higher. With inflation being the highest, pensions will be up-rated by 3% in April next year.

Source : Castlefield Investment Partners, October 2017

# CFP SDL UK BUFFETTOLOGY FUND

## COMPARATIVE TABLES

### General Shares - Income

	31 Aug 17 (pence per share)	28 Feb 17 (pence per share)	28 Feb 16 (pence per share)
<b>Change in net asset value per share</b>			
Opening net asset value per share	231.73	191.83	169.29
Return before operating charges *	22.91	45.51	26.97
Operating charges*	(4.38)	(3.68)	(3.78)
Return after operating charges*	18.53	41.83	23.19
Distributions on income units	(0.79)	(1.93)	(0.65)
Closing net asset value per share	249.47	231.73	191.83
after direct transaction costs of:**	0.36	0.65	0.43
<b>Performance</b>			
Return after charges	7.99%	21.80%	13.70%
<b>Other information</b>			
Closing net assets value (£'000)	36,802	33,019	18,153
Closing number of shares	14,752,269	14,249,429	9,462,802
Operating charges*	1.83%	1.92%	2.05%
Direct transaction costs**	0.14%	0.28%	0.23%
<b>Prices</b>			
Highest share price	254.95	236.37	204.85
Lowest share price	234.68	184.90	167.25

\* Operating charges, otherwise known as OCF is the ratio of the sub-Fund's total disclosable costs (excluding overdraft interest) to the average net assets of the sub-Fund. The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a sub-Fund and is calculated based on the last period's figures.

\*\* Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution adjustments or dilution levies that relate to direct transaction costs. A negative transaction costs figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

# CFP SDL UK BUFFETTOLOGY FUND

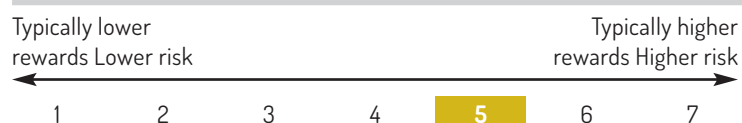
## Institutional Shares - Income

	31 Aug 17 (pence per share)	28 Feb 17 (pence per share)	28 Feb 16 (pence per share)
<b>Change in net asset value per share</b>			
Opening net asset value per share	232.48	192.39	169.71
Return before operating charges *	22.96	45.75	27.15
Operating charges*	(3.15)	(2.63)	(2.96)
Return after operating charges*	19.81	43.12	24.19
Distributions on income units	(1.40)	(3.03)	(1.51)
Closing net asset value per share	250.89	232.48	192.39
after direct transaction costs of:**	0.36	0.76	0.44
<b>Performance</b>			
Return after charges	8.52%	22.41%	14.25%
<b>Other information</b>			
Closing net assets value (£'000)	131,023	78,679	14,000
Closing number of shares	52,222,616	33,843,783	7,277,159
Operating charges*	1.33%	1.42%	1.55%
Direct transaction costs**	0.14%	0.33%	0.23%
<b>Prices</b>			
Highest share price	256.36	237.65	205.82
Lowest share price	235.55	185.77	167.69

\* Operating charges, otherwise known as OCF is the ratio of the sub-Fund's total disclosable costs (excluding overdraft interest) to the average net assets of the sub-Fund. The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a sub-Fund and is calculated based on the last period's figures.

\*\* Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution adjustments or dilution levies that relate to direct transaction costs. A negative transaction costs figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

## RISK AND REWARD INDICATOR (RRI)



The sub-Fund is ranked as 5 because it has experienced medium to high rises and falls in value over the past five years. As there is less than five years of available data for this Fund, for illustrative purposes a similar type of investment has been used to calculate the risk/reward profile. Please note that even the lowest ranking does not mean a risk-free investment.

The Risk and Reward Indicator demonstrates where the sub-Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the sub-Fund.



# CFP SDL UK BUFFETTOLOGY FUND

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## INVESTMENT OBJECTIVE AND POLICY

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The objective of the Fund is to seek to achieve an annual compounding rate of return over the long-term that is superior to the performance of the UK stock market. The Fund Manager's investment methodology is based upon the principle of Business Perspective Investing. Companies selected for investment consideration must exhibit several important criteria showing them to possess: an enduring franchise with pricing power and growth potential; highly profitable returns on capital employed; strong conversion of earnings into free cash flow; strong balance sheet and a management that acts with the owner's eye and allocates capital rationally. The Fund has a concentrated portfolio of investments and the aim of keeping portfolio turnover down.

## INVESTMENT REVIEW

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### PERFORMANCE

The Fund's I Class share price rose by 7.92% from 232.48p at the close on 28 February 2017 to 250.89p at the close on 31 August 2017. This compared to a 3.02% increase in the benchmark FTSE All-Share Index, representing relative outperformance of 11.0%. The Fund outperformed the Index during four discrete months of the period. Based on total return with dividends reinvested, the Fund rose by 8.54% over this time, compared to 5.95% for its peer group, the IA UK All Companies sector. This placed the Fund in the top quartile of the sector, finishing 45th out of 265 funds. The Fund share price reached a high of 256.36p on 17 August and touched a low of 235.55p on 28 March. In July, it won Money Observer's Best Smaller UK Growth Fund award for the third year running and has been included in the Investors Chronicle Top 100 Funds categorisation for the fourth consecutive year.

### MARKET REVIEW

One surprising feature during the review period was the low state of volatility in the stock market. This was despite the triggering in late March of Article 50 setting the UK on a path out of the EU and the inconclusive General Election that followed this on 8 June. Elsewhere, the 'European Spring' failed to materialise with no wins for 'populist' parties in Holland and France. With Angela Merkel having secured a fourth term as German Chancellor and an avowed Europhile ensconced in the Élysée Palace, markets heaved a sigh of relief at the removal of uncertainty and pressed on to new highs. Whether this will prove to be complacency, time alone will tell. Global tensions remain high and global indebtedness is not getting any better.

### PORTFOLIO ACTIVITY

The Fund continued to experience net inflows each month throughout March to August, totalling £46.3m. As a result of this and the investment performance, its size rose from £111.1m to £168.9m. The mainstay of investment activity was of the top-up variety, where justified on valuation grounds. However, there were three new company purchases: Next, Craneware and Dignity. We also lost Lavendon Group from the portfolio on its take-over by Loxam SA and I sold our holdings in WYG and Provident Financial ahead of the profit warnings that hit their share prices in August. These actions contributed to an increase in our portfolio turnover to 9.3% (based on a 12-month moving average) but saved us £millions in eroded capital. Also we had a take-over bid for Revolution Bars in July with Stonegate Pub offering 203p in cash. This, and the interest of a potential rival bidder, Deltic, is ongoing.

Of the new investments made, Next needs no introduction being an instantly recognisable brand name. The share price had halved from its peak of over £81 in late 2015 in reaction to challenging conditions on the high street, and the effects of the weakness of sterling, national living wage and business rate hikes on input costs. However, the margin resilience has been remarkable and the returns on equity and cash generation, as ever, superb. I have the utmost confidence in Simon Wolfson and his team to navigate Next through the current choppy waters. Indeed we have already been rewarded with a sizeable rise in the share price on the back of the most recent trading statement. Craneware is a US business domiciled in Scotland. It sells software to American hospitals that track all aspects of patient care and billing. Its customers are sticky with 3-5 year contracts and renewal rates of over 85%. Its return on capital is around 20%, it converts 120% of earnings into cash and has a strong balance sheet sporting net cash. It spends heavily on R&D and sales and marketing. In August, I spent several days revisiting the investment case for Dignity and decided to take the plunge. As readers of my book 'Invest in the Best' will testify, for me Dignity is one of the most predictable business models around and the only issue has ever been the entry price. My assessment is that we have paid a workmanlike price rather than obtain a bargain on this occasion.

During the 6 month period, the continuing investments that most benefited the Fund were Games Workshop (share price up by 84.8%), NCC Group (59.0%), Bioventix (41.6%), Liontrust Asset Management (27.8%), RWS Holdings (24.9%) and Scapa Group (22.7%). There were six other double-digit and nine single-digit risers. The main detractors from performance were Dixons Carphone (share price down by 42.0%), Domino's Pizza Group (30.3%) and James Halstead (12.3%). Five other companies suffered single-digit share price falls.

### OUTLOOK

Brexit negotiations could mean a more volatile UK stock market though there is only minor evidence of slowing economic activity. However, there is still much cash sat on the sidelines. One small worry is the manner in which the share prices of companies reporting in line or slightly better than expectations seem to get little or no credit. Conversely even mild disappointments get crucified. That is consistent with a market where high expectations may be priced in. In response, I shall continue to cautiously commit fresh capital to outstanding companies where I believe pricing opportunities prevail and shun those that appear fully valued. That is the essence of the Business Perspective Investing methodology that I practice.

Keith Ashworth-Lord

10 October 2017

Source : Castlefield Investment Partners, October 2017

# CFP SDL UK BUFFETTOLOGY FUND

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The top ten purchases and total sales during the period were as follows:

<b>Purchases</b>	<b>Costs £'000</b>	<b>Sales</b>	<b>Proceeds £'000</b>
Next	4,189	Provident Financial	3,127
Dignity	4,154	WYG	1,948
Craneware	3,990	Dechra Pharmaceuticals	97
Bioventix	2,217	Mattioli Woods	9
Liontrust Asset Management	1,685		
Hargreaves Lansdown	1,617		
Scapa Group	1,530		
James Halstead	1,530		
AB Dynamics	1,512		
Provident Financial	1,472		
<b>Total purchases during the period were</b>	<b>47,424</b>	<b>Total sales during the period were</b>	<b>5,181</b>

# CFP SDL UK BUFFETTOLOGY FUND

## PORTFOLIO OF INVESTMENTS

As at 31 August 2017

Holding	Investment	Market Value £'000	Total Value of Sub-Fund %
<b>BASIC MATERIALS 10.24% (9.96%)</b>			
<b>Chemicals 10.24% (9.96%)</b>			
125,000	Croda International	4,810	2.87
1,725,000 *	Scapa Group	7,702	4.59
230,000	Victrex	4,667	2.78
		<b>17,179</b>	<b>10.24</b>
<b>CONSUMER GOODS 11.28% (8.70%)</b>			
<b>Beverages 5.72% (5.20%)</b>			
765,000	A.G. Barr	4,823	2.88
185,000	Diageo	4,773	2.84
		<b>9,596</b>	<b>5.72</b>
<b>Leisure Goods 5.56% (3.50%)</b>			
575,000	Games Workshop Group	9,338	5.56
		<b>9,338</b>	<b>5.56</b>
<b>CONSUMER SERVICES 18.87% (16.68%)</b>			
<b>General Retailers 6.03% (2.16%)</b>			
175,000	Dignity	3,943	2.35
1,200,000	Dixons Carphone	2,099	1.25
100,000	Next	4,073	2.43
		<b>10,115</b>	<b>6.03</b>
<b>Travel, Leisure &amp; Catering 12.84% (14.51%)</b>			
4,150,000	Air Partner	5,405	3.21
900,000 *	Dart Group	4,604	2.74
1,275,000	Domino's Pizza Group	3,416	2.04
1,150,000	Restaurant Group	3,935	2.34
2,000,000	Revolution Bars Group	4,210	2.51
		<b>21,570</b>	<b>12.84</b>
<b>FINANCIALS 9.66% (13.98%)</b>			
<b>Financial Services 9.66% (13.98%)</b>			
320,000	Hargreaves Lansdown	4,429	2.64
1,250,000	Liontrust Asset Management	6,097	3.64
680,000 *	Mattioli Woods	5,678	3.38
		<b>16,204</b>	<b>9.66</b>
<b>HEALTH CARE 10.32% (9.61%)</b>			
<b>Pharmaceuticals &amp; Biotechnology 10.32% (9.61%)</b>			
400,000 *	Bioventix	8,600	5.12
250,000	Dechra Pharmaceuticals	4,750	2.83
260,000	GlaxoSmithKline	3,975	2.37
		<b>17,325</b>	<b>10.32</b>

# CFP SDL UK BUFFETTOLOGY FUND

Holding	Investment	Market Value £'000	Total Value of Sub-Fund %
<b>INDUSTRIALS 19.75% (20.32%)</b>			
<b>Construction &amp; Materials 4.90% (5.16%)</b>			
955,000 *	James Halstead	4,214	2.51
660,000	MJ Gleeson	4,016	2.39
		<b>8,230</b>	<b>4.90</b>
<b>Industrial Engineering 9.35% (10.18%)</b>			
955,000 *	AB Dynamics	5,587	3.33
1,800,000	Rotork	4,093	2.44
2,800,000	Trifast	5,999	3.58
		<b>15,679</b>	<b>9.35</b>
<b>Support Services 5.50% (4.99%)</b>			
6,000,000	Driver Group	2,820	1.68
1,555,000 *	RWS Holdings	6,414	3.82
		<b>9,234</b>	<b>5.50</b>
<b>TECHNOLOGY 4.63% (1.42%)</b>			
<b>Software &amp; Computer Services 4.63% (1.42%)</b>			
325,000	Craneware	4,112	2.45
1,950,000	NCC Group	3,651	2.18
		<b>7,763</b>	<b>4.63</b>
<b>Total Value of Investments</b>		<b>142,233</b>	<b>84.75</b>
Net Other Assets		25,592	15.25
<b>Total Net Assets</b>		<b>167,825</b>	<b>100.00</b>

Figures in brackets represent sector distribution at 28 February 2017

Securities are admitted to an official stock exchange listing or traded on another regulated market unless otherwise stated.

\* AIM Quoted Securities

# CFP SDL UK BUFFETTOLOGY FUND

## STATEMENT OF TOTAL RETURN

For the period ended 31 August 2017

	31 Aug 17		31 Aug 16	
	£'000	£'000	£'000	£'000
<b>Income</b>				
Net capital gains		9,887		2,934
Revenue	1,800		632	
<b>Expenses</b>	(1,055)		(367)	
Interest payable and similar charges	-		(1)	
Net revenue before taxation	745		264	
Taxation	-		-	
Net revenue after taxation		745		264
Total return before distributions		10,632		3,198
Distributions		(745)		(263)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>9,887</b>		<b>2,935</b>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

For the period ended 31 August 2017

	31 Aug 2017		31 Aug 2016	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>		<b>111,699</b>		<b>32,153</b>
Amounts receivable on issue of shares	71,120		32,472	
Amounts payable on cancellation of shares	(24,880)		(10,195)	
		46,239		22,277
Change in net assets attributable to shareholders from investment activities		9,887		2,935
<b>Closing net assets attributable to shareholders</b>		<b>167,825</b>		<b>57,365</b>

# CFP SDL UK BUFFETTOLOGY FUND

## BALANCE SHEET

As at 31 August 2017

	31 Aug 17 £'000	28 Feb 17 £'000
<b>ASSETS</b>		
<b>Fixed assets:</b>		
Investment assets	142,233	90,100
<b>Current assets:</b>		
Debtors	4,182	3,664
Cash and bank balances	23,969	20,790
<b>Total Assets</b>	<b>170,384</b>	<b>114,554</b>
<b>LIABILITIES</b>		
<b>Creditors:</b>		
Distribution payable on income units	(847)	(653)
Other creditors	(1,712)	(2,202)
<b>Total liabilities</b>	<b>(2,559)</b>	<b>(2,855)</b>
<b>Net assets attributable to shareholders</b>	<b>167,825</b>	<b>111,699</b>

On behalf of Castlefield Fund Partners Limited

John Eckersley  
Managing Director (of the ACD)



31 October 2017

Summaya Mosam  
Director (of the ACD)



# CFP SDL UK BUFFETTOLOGY FUND

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

The interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments and in accordance with the Statement of Recommended Practice "Financial Statements of Authorised Funds", issued by The Investment Association in May 2014, the Financial Conduct Authority's Collective Investment Schemes Sourcebook and the Instrument of Incorporation.

### DISTRIBUTION TABLES

For the period from 1 March 2016 to 31 August 2017

#### Interim dividend distribution in pence per share.

##### General Shares - Income

	Net income	Equalisation	Distribution Paid	
			27/11/2017	25/11/2016
Group 1	0.7905	-	0.7905	0.9844
Group 2	0.4314	0.3591	0.7905	0.9844

##### Institutional Shares - Income

	Net income	Equalisation	Distribution Paid	
			27/11/2017	25/11/2016
Group 1	1.3992	-	1.3992	1.4993
Group 2	0.7575	0.6417	1.3992	1.4993

# CFP SDL FREE SPIRIT FUND

## COMPARATIVE TABLES

### General Shares - Income

	31 Aug 17 (pence per share)	28 Feb 17 (pence per share)
<b>Change in net asset value per share</b>		
Opening net asset value per share	98.60	100
Return before operating charges *	8.89	(0.95)
Operating charges*	(1.68)	(0.45)
Return after operating charges*	7.21	(1.40)
Distributions on income units	-	-
Closing net asset value per share	105.81	98.60
after direct transaction costs of:**	0.48	0.35
<b>Performance</b>		
Return after charges	7.31	(1.40)%
<b>Other information</b>		
Closing net assets value (£'000)	386	317
Closing number of shares	364,498	321,101
Operating charges*	2.65%	1.40%
Direct transaction costs**	0.45%	0.35%
<b>Prices</b>		
Highest share price	106.76	100.09
Lowest share price	98.79	98.41

\* Operating charges, otherwise known as OCF is the ratio of the sub-Fund's total disclosable costs (excluding overdraft interest) to the average net assets of the sub-Fund. The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a sub-Fund and is calculated based on the last period's figures.

\*\* Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution adjustments or dilution levies that relate to direct transaction costs. A negative transaction costs figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.



# CFP SDL FREE SPIRIT FUND

## General Shares - Accumulation

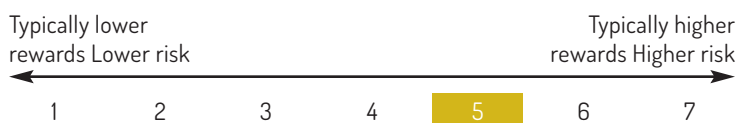
	31 Aug 17 (pence per share)	28 Feb 17 (pence per share)
<b>Change in net asset value per share</b>		
Opening net asset value per share	98.60	100
Return before operating charges *	8.68	(0.95)
Operating charges*	(1.67)	(0.45)
Return after operating charges*	7.01	(1.40)
Closing net asset value per share	105.61	98.60
Retained distributions on accumulation shares	-	-
after direct transaction costs of:**	0.48	0.35
<b>Performance</b>		
Return after charges	7.11%	(1.40)%
<b>Other information</b>		
Closing net assets value (£'000)	4,281	1,719
Closing number of shares	4,054,057	1,748,825
Operating charges*	2.65%	1.40%
Direct transaction costs**	0.45%	0.35%
<b>Prices</b>		
Highest share price	106.76	100.09
Lowest share price	98.80	98.42

\* Operating charges, otherwise known as OCF is the ratio of the sub-Fund's total disclosable costs (excluding overdraft interest) to the average net assets of the sub-Fund. The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a sub-Fund and is calculated based on the last period's figures.

\*\* Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution adjustments or dilution levies that relate to direct transaction costs. A negative transaction costs figure might arise where there is a timing difference between inflows and the settlement of the resultant purchases.

# CFP SDL FREE SPIRIT FUND

## RISK AND REWARD INDICATOR (RRI)



The sub-Fund is ranked as 5 because investments of this type experienced medium to high rises and falls in value over the past five years. As there is less than five years of available data for this Fund, for illustrative purposes a similar type of investment has been used to calculate the risk/reward profile. Please note that even the lowest ranking does not mean a risk-free investment.

The Risk and Reward Indicator table demonstrates where the sub-Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the sub-Fund.

## INVESTMENT OBJECTIVE AND POLICY

The investment objective of the Fund is to seek to achieve real growth in capital and income over the long term. Real growth means growth in excess of inflation, defined as the UK Consumer Price Index(CPI)+2% per annum on average and long term means over a minimum investment horizon of five years. The Fund Manager's investment methodology is based upon the principle of Business Perspective Investing. Companies selected for investment must possess clear and sustainable competitive advantages that are difficult to replicate, thereby erecting a barrier to new entrants and generating superior returns on operating assets. In addition these companies are likely to possess sound finances and experienced management teams focused on the creation of long term value for shareholders. The Fund Manager will seek to invest in such companies at below their intrinsic value, derived from discounting their estimated future cash flows to their present value. If valuations are not deemed attractive, cash levels may rise until suitable opportunities are found. The Fund aims to hold a concentrated portfolio of between 25 and 40 holdings.

## INVESTMENT REVIEW

### PERFORMANCE

The Fund's Accumulation Class share price rose by 7.11% from 98.60p at the close on 28 February 2017 to 105.61p at the close on 31 August 2017. This was well ahead of the stated benchmark of CPI+2% per annum, and of a 3.02% increase in the FTSE All-Share Index. It was achieved with average month end cash balances in the six month period of 26.6%, reflecting the initial investment phase following the Fund launch in January. Cash balances at the end of August were 18% of net assets.

### MARKET REVIEW

One surprising feature during the review period was the low state of volatility in the stock market. This was despite the triggering in late March of Article 50 setting the UK on a path out of the EU and the inconclusive General Election that followed this on 8 June. Elsewhere, the 'European Spring' failed to materialise with no wins for 'populist' parties in Holland and France. With Angela Merkel having secured a fourth term as German Chancellor and an avowed Europhile ensconced in the Élysée Palace, markets heaved a sigh of relief at the removal of uncertainty and pressed on to new highs. Whether this will prove to be complacency, time alone will tell. Global tensions remain high and global indebtedness is not getting any better.

### PORTFOLIO ACTIVITY

The Fund Manager has carefully made an initial selection of investments, with the number of holdings reaching 30 at the end of August, compared to 17 at the end of February. The largest holding at the end of August is AGBarr, manufacturer and marketer of various soft drinks, of which the most significant brands are Irn Bru and Rubicon. Barr exhibits consistently good returns on capital and has recently completed a major new phase of capital investment. Management now feels sufficiently confident of generating cash surplus to requirements that it has supplemented dividend payments with share buy backs. The second largest holding is Alfa Financial Software, a very successful main market IPO in the period. Alfa has developed market leading and highly configurable software for specialists in asset finance, whether of cars, equipment or planes. The business has been developed organically without external funding, and is winning market share internationally among customers who are continually having to grapple with regulatory, fiscal and accounting changes. The third largest holding is Revolution Bars, currently the subject of a cash bid. As well as the bid for Revolution Bars, the Fund also benefitted from a bid for its holding in Quantum Pharma during the six months.

### OUTLOOK

Brexit negotiations could mean a more volatile UK stock market though there is only minor evidence of slowing economic activity. However, there is still much cash sat on the sidelines. One small worry is the manner in which the share prices of companies reporting in line or slightly better than expectations seem to get little or no credit. Conversely even mild disappointments get crucified. That is consistent with a market where high expectations may be priced in. In response, I shall continue to evaluate thoroughly new potential investments, looking to recycle capital from bid situations and possibly to add to the existing roster.

Rosemary Banyard

10 October 2017

Source : Castlefield Investment Partners, October 2017

# CFP SDL FREE SPIRIT FUND

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The top ten purchases and total sales during the period were as follows:

<b>Purchases</b>	<b>Costs £'000</b>	<b>Sales</b>	<b>Proceeds £'000</b>
Revolution Bars Group	156	Ishares FTSE 100 UCITS ETF	122
Taptica International	146	CLS Holdings	83
Alfa Financial Software Holdings	143	Tribal Group	50
On the Beach Group	141	Character Group	50
Unilever	139		
Supergroup	127		
Barr	116		
Kainos Group	115		
Dunelm Group	108		
Fidessa Group	106		
<b>Total purchases during the period were</b>	<b>1,297</b>	<b>Total sales during the period were</b>	<b>305</b>

# CFP SDL FREE SPIRIT FUND

## PORTFOLIO OF INVESTMENTS

As at 31 August 2017

Holding	Investment	Market Value £'000	Total Value of Sub-Fund %
<b>BASIC MATERIALS 2.94% (3.64%)</b>			
<b>Chemicals 2.94% (3.64%)</b>			
6,767	Victrax	137	2.94
		<b>137</b>	<b>2.94</b>
<b>CONSUMER GOODS 14.40% (3.29%)</b>			
<b>Beverages 4.18% (3.29%)</b>			
31,000	A.G. Barr	195	4.18
		<b>195</b>	<b>4.18</b>
<b>Food Producers 1.29% (0.00%)</b>			
20,000	Hotel Chocolat	60	1.29
		<b>60</b>	<b>1.29</b>
<b>Leisure Goods 2.98% (0.00%)</b>			
8,582	Games Workshop	139	2.98
		<b>139</b>	<b>2.98</b>
<b>Personal Goods 5.95% (0.00%)</b>			
8,000	SuperGroup	127	2.72
3,336	Unilever	151	3.23
		<b>278</b>	<b>5.95</b>
<b>CONSUMER SERVICES 12.14% (0.00%)</b>			
<b>General Retailers 2.16% (0.00%)</b>			
17,500	Dunelm	101	2.16
		<b>101</b>	<b>2.16</b>
<b>Media 2.98% (0.00%)</b>			
37,500	Taptica international	139	2.98
		<b>139</b>	<b>2.98</b>
<b>Travel, Leisure &amp; Catering 7.02% (0.00%)</b>			
35,000	On the Beach	150	3.21
85,000	Revolution Bars	178	3.81
		<b>328</b>	<b>7.02</b>
<b>FINANCIALS 11.76% (18.97%)</b>			
<b>Financial Services 9.45% (16.86%)</b>			
28,500	Liontrust Asset Management	139	2.98
215,373 *	Park Group	164	3.51
6,954	S&U	138	2.96
		<b>441</b>	<b>9.45</b>
<b>Real Estate Investment &amp; Services 2.31% (2.11%)</b>			
50,000	CLS Holdings	108	2.31
		<b>108</b>	<b>2.31</b>

# CFP SDL FREE SPIRIT FUND

Holding	Investment	Market Value £'000	Total Value of Sub-Fund %
<b>HEALTH CARE 3.79% (0.00%)</b>			
<b>Health Care Equipment &amp; Services 0.86% (0.00%)</b>			
18,518	Medica	40	0.86
		<b>40</b>	<b>0.86</b>
<b>Pharmaceuticals &amp; Biotechnology 2.93% (0.00%)</b>			
200,000	Quantum Pharma	137	2.93
		<b>137</b>	<b>2.93</b>
<b>INDUSTRIALS 18.84% (19.26%)</b>			
<b>Construction &amp; Materials 3.30% (3.10%)</b>			
25,167	MJ Gleeson	154	3.30
		<b>154</b>	<b>3.30</b>
<b>Electronic &amp; Electrical Equipment 0.75% (0.00%)</b>			
4,500	Dialight	35	0.75
		<b>35</b>	<b>0.75</b>
<b>General Industrials 1.93% (0.00%)</b>			
50,000	Quiz	90	1.93
		<b>90</b>	<b>1.93</b>
<b>Industrial Engineering 2.01% (0.00%)</b>			
43,824	Trifast	94	2.01
		<b>94</b>	<b>2.01</b>
<b>Support Services 10.85% (16.16%)</b>			
4,450	Bunzl	102	2.19
1,832	DCC	129	2.76
13,022	Diploma	139	2.99
17,000	Vp	136	2.917
		<b>506</b>	<b>10.85</b>
<b>TECHNOLOGY 17.85% (11.74%)</b>			
<b>Software &amp; Computer Services 17.85% (11.74%)</b>			
42,047	Alfa Financial Software	192	4.12
5,000	Aveva Group	96	2.06
13,466 *	Craneware	171	3.66
7,200	Fidessa Group	149	3.19
46,419	Kainos	132	2.91
49,836	NCC Group	93	1.99
		<b>833</b>	<b>17.85</b>
<b>Total Value of Investments</b>		<b>3,815</b>	<b>81.74</b>
Net Other Assets		852	18.26
<b>Total Net Assets</b>		<b>4,667</b>	<b>100.00</b>

Securities are admitted to an official stock exchange listing or traded on another regulated market unless otherwise stated.

\* AIM Quoted Securities

# CFP SDL FREE SPIRIT FUND

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## STATEMENT OF TOTAL RETURN

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For the period ended 31 August 2017

	31 Aug 17	
	£'000	£'000
<b>Income</b>		
Net capital losses		215
Revenue	29	
<b>Expenses</b>	<u>(49)</u>	
Net expenses before taxation	(20)	
Taxation	<u>(1)</u>	
Net expenses after taxation		<u>(21)</u>
Total return before distributions		194
Distributions		<u>-</u>
<b>Change in net assets attributable to shareholders from investment activities</b>		<u>194</u>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

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For the period ended 31 August 2017

	31 Aug 17	
	£'000	£'000
<b>Opening net assets attributable to shareholders</b>		2,035
Amounts receivable on issue of shares	2,521	
Amounts payable on cancellation of shares	<u>(92)</u>	
		2,429
Dilution Levy		9
Change in net assets attributable to shareholders from investment activities		<u>194</u>
<b>Closing net assets attributable to shareholders</b>		<u>4,667</u>

# CFP SDL FREE SPIRIT FUND

## BALANCE SHEET

As at 31 August 2017

	31 Aug 17 £'000	28 Feb 17 £'000
<b>ASSETS</b>		
<b>Fixed assets:</b>		
Investment assets	3,815	1,158
<b>Current assets:</b>		
Debtors	67	108
Cash and bank balances	885	852
<b>Total Assets</b>	<b>4,767</b>	<b>2,118</b>
<b>LIABILITIES</b>		
<b>Creditors:</b>		
Other creditors	(100)	(83)
<b>Total liabilities</b>	<b>(100)</b>	<b>(83)</b>
<b>Net assets attributable to shareholders</b>	<b>4,667</b>	<b>2,035</b>

On behalf of Castlefield Fund Partners Limited

John Eckersley  
Managing Director (of the ACD)



31 October 2017

Summaya Mosam  
Director (of the ACD)



## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

The interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments and in accordance with the Statement of Recommended Practice "Financial Statements of Authorised Funds", issued by The Investment Association in May 2014, the Financial Conduct Authority's Collective Investment Schemes Sourcebook and the Instrument of Incorporation.

### DISTRIBUTION TABLES

Expenses exceeded revenue during the period, as a result no distributions were paid.



THE THOUGHTFUL INVESTOR

