"Our strategy is to invest in companies that have high-quality characteristics in terms of their business models, financials, competitive advantage and their management. We believe that this will provide resilience during periods of market uncertainty."

Our Focus

We focus on investing in companies with strong sustainable growth potential. Our strategy is to invest in companies that have high-quality characteristics in terms of their business models, financials, competitive advantage and their management. We believe that this will provide resilience during periods of market uncertainty. In order to generate superior long-term risk adjusted returns we need to be invested in the right companies and at the right price. With global equities currently trading at elevated valuation levels, we are mindful that it is more important than ever to stick to this discipline.

Investment is subject to trends and cycles. We do not invest in companies simply because they are fashionable and might rise in the short term. For example, during the Dotcom boom of 1999 valuations of many technology, media and telecom companies' share prices and valuations rocketed without a rational basis. We aim to avoid these 'fads' as they pose high risks. We do not speculate or use leverage to enhance our returns.

We aim to diverge from benchmarks in a positive way and manage a more concentrated portfolio than is typical for the sector. The portfolio currently holds 59 equity positions.

VT Garraway Asian Centric Global Growth Fund (the Fund) was launched in July 2019. The Fund is managed by Malcolm Schembri, Henry Thornton and Tim Hall and has a broad remit to invest across international equity markets. There is an emphasis on companies with strong growth prospects and on companies benefiting from the rapidly developing Asian region. Performance is measured against the MSCI AC World Index, an index which includes both developed and emerging markets.

An examination of the largest ten portfolio holdings - four of which are listed in the United States, one in the United Kingdom and five in Asia - is illustrative of this global investment remit. On average, the four American holdings generate 53.5% of their revenues from outside of the United States while the United Kingdom holding generates 57.5% of its revenue from outside of the United Kingdom. By contrast the five Asian holdings generate, on average, almost three quarters of their revenues from within the Asian region.

The Fund also has the ability to invest a modest proportion of its assets (up to 15%) into assets where returns are expected to be uncorrelated to equities. The portfolio currently holds a 5.9% position in Garraway Financial Trends and a 4.5% position in Gold Bullion Securities. It is gratifying to note that, less than two years from launch, both of these investments have already proven their worth during the inevitable difficult times that global equity markets occasionally encounter. This modest 'risk budget' has reduced volatility and helped deliver a superior risk/reward profile. Long equity holdings (currently 88%) will always constitute the vast majority of the portfolio and are likely to generate the majority of returns achieved.

The Managers hold regular weekly meetings to review the portfolio and at each quarter end discuss and implement a rebalancing of the portfolio to ensure it remains consistent with the original asset allocation target exposure of 50% developed market equities and 40% Asian equities.

The Fund pays quarterly dividends to shareholders. The historic annual yield currently stands at 1.2%.

Source: Garraway Capital Management LLP and Bloomberg. Fund data as at 31 December 2020, other information based on latest available data on 31 December 2020.

Our investment philosophy: the 3Ms

Moat

What do we mean by moat? A moat is a deep, wide ditch surrounding a castle, typically filled with water. It is intended as a defence against an attack. A crucial part of our investment philosophy is to focus on those companies which have an economic moat; some sort of competitive advantage over others in their field. As these companies tend to dominate the market, it is extremely difficult for their competitors to take market share away from them. Crucially for our investment philosophy, these are the businesses that, thanks to their competitive advantages, have high sustainable profitability margins and the ability to create long-term shareholder value by compounding high returns on capital employed over time.

Management

We recognise that the quality of management is a crucial input to the long-term success of our strategy. As such, we make sure that the companies we are invested in are managed by individuals with a proven track record; managers who are good allocators of capital. Additionally, we only invest in companies that appropriately align management and shareholder interests. It is not surprising to note that the share prices of companies with high insider ownership in aggregate outperform those with low or no insider ownership. We are also interested in the way the management treats its employees and other stakeholders.

Margin of Safety

We believe the free cash flow yield allows us to see the world through the eyes of the business owner and as such it is our preferred valuation metric. We only invest in high quality companies with clear understandable business models. We generally avoid cyclical companies which are dependent on factors outside of their control. We also have minimal exposure to financials in developed markets where prolonged low interest rates are compressing return on assets and, in consequence, the return on equity. We do own some higher quality financials across Asia where the return on equity remains satisfactory.

Value or Growth Strategy? Growth at Reasonable Price (GARP)

We look for companies that are somewhat undervalued (a feature of value investing) with solid sustainable growth potential (a feature of growth investing). We identify stocks on an individual basis and select those that have neither purely value nor purely growth characteristics, but a combination of the two. We will not overpay for a stock. Even if we like a company, we will not invest if we feel it is overpriced. Similarly, we seek companies which can redeploy capital at attractive rates of return, i.e. compounders from whom we seek growth.

Buy & Hold

We would usually expect our turnover to be lower than is typical for the sector. We buy companies for the longer term focussing on our best company ideas. The portfolio is unlikely to hold more than 60 equity positions.

Invest in High Quality Businesses

We define high quality companies as those which can sustain a high return on capital employed. The sustainability of this return is as important as the height of return on capital. Repeat business and recurring revenues are characteristics found throughout our holdings. Our holdings tend to be market leaders, companies which have experienced and survived a number of cycles and that retain solid fundamentals. We value the intangible assets ‘owned’ by our investments including brands, dominant market position, patents, distribution networks and client partnerships that are difficult for competitors to replicate.

Responsible Investing

We have factored in many ESG considerations into our investment process since the inception of the Fund as well as implementing a formal responsible investing policy as required by Garraway’s firm wide ESG policy. As buy and hold investors we take a long-term view and aim to be invested in companies which can generate long term shareholder value. We believe that effective corporate governance is key and that this tends to lead to companies implementing long term social and environmental initiatives..

When considering key risk factors as part of any investment decision making process, we recognise that some companies’ strong ESG initiatives will lower risk (for example the threat of litigation) and this increases our overall conviction across portfolio holdings.

Avoid companies with excessive leverage

We do not want to take the unnecessary risks associated with leveraging as we are looking for capital preservation and consistent returns. We only invest in companies that earn a high return on capital on an unleveraged basis. This does not mean that all companies we invest in are debt free. Semiconductor manufacturers, for example, face enormous capital expenditure to both fund future growth and to remain competitive.

Invest in businesses with growth potential

We define companies with growth potential as those that have not only the ability to earn high unlevered rates of returns, but also the ability to reinvest a portion of their excess cash flow back into the business to grow and generate high returns on cash and also improve their margins. This will create exceptional results and value for investors, due to the compounding effect. We are biased towards high quality businesses which benefit from long-term favourable secular trends such as digitisation, genomics, urbanisation, aging population and, in the case of Asia and emerging markets, the emergence of the middle class.

Seek resilient businesses

We aim to invest in companies with resilient products or services, those which are unlikely to become obsolete. We seek to benefit from product development in long established products and industries, rather than investing in industries that are threatened by changing technological innovation.

Important Information

This document is for general information purposes only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. It is not a personal recommendation and it should not be regarded as a solicitation or an offer to buy or sell any shares in the VT Garraway Asian Centric Global Growth Fund (the ‘Fund’). It should not be construed as investment advice. Any person interested in investing in the Fund should conduct their own investigation and analysis of the Fund and should consult their own professional tax, accounting or other advisers as to the risks involved in making such an investment. Full details of the Fund’s investment objective, investment policy and risks are published in the Key Investor Information Document (“KIID”) and the Prospectus, all available from http://www.valu-trac.com/administration-services/clients/garraway/asian-centric-global-growth/. Any offering of the Fund is only made on the terms of the current Prospectus and KIID. A subscription in the Fund can only be made after the provision of the KIID and should be made solely upon the information contained in the Prospectus and KIID.

Valu-Trac Investment Management Limited (“Valu-Trac”) is the Authorised Corporate Director of the Fund, responsible for its management and administration. Valu-Trac has appointed Garraway Capital Management LLP (“Garraway” or “we”) as delegated investment manager to Valu-Trac in respect of the Fund.

This document has been approved in the UK by Garraway Capital Management LLP, which is a limited liability partnership incorporated and registered in England and Wales under partnership number OC303626 with its registered office at 200 Aldersgate Street, London EC1A 4HD. Garraway Capital Management LLP is regulated by the Financial Conduct Authority. Distribution of this material and the offer of the Fund are specifically restricted in certain jurisdictions. In particular, but without limitation, neither this material nor shares in the Fund are available to US persons.

An investment in the Fund is not suitable for an investor who cannot sustain a loss on their investment. There is no guarantee of the Fund’s future performance and past performance is not a reliable indicator of future performance. The value of your investment and the income derived from it can go down as well as up, and you may not get back the money you invested.

Investment Risks

The risks associated with making an investment in the Fund are described in the Prospectus but investors should note, in particular, the following: 1) The Fund is subject to the risk of the insolvency of its counterparties; 2) The Fund may be exposed to emerging markets which are less established and more prone to political events than developed markets. This can mean both higher volatility and a greater risk of loss to the Fund than investing in developed markets; 3) Foreign currency denominated investments are subject to fluctuations in exchange rates that could have a positive or an adverse effect on the value of an investor’s investment; and 4) Any security could become hard to value or to sell at a desired time and price, increasing the risk of investment losses.