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# **A new era; finding tomorrow's growth**

Mark Costar & Vishal Bhatia

# A New Era for growth investing:

A powerful intersection of **cyclical and structural factors** is creating a very dynamic framework of risk and opportunity

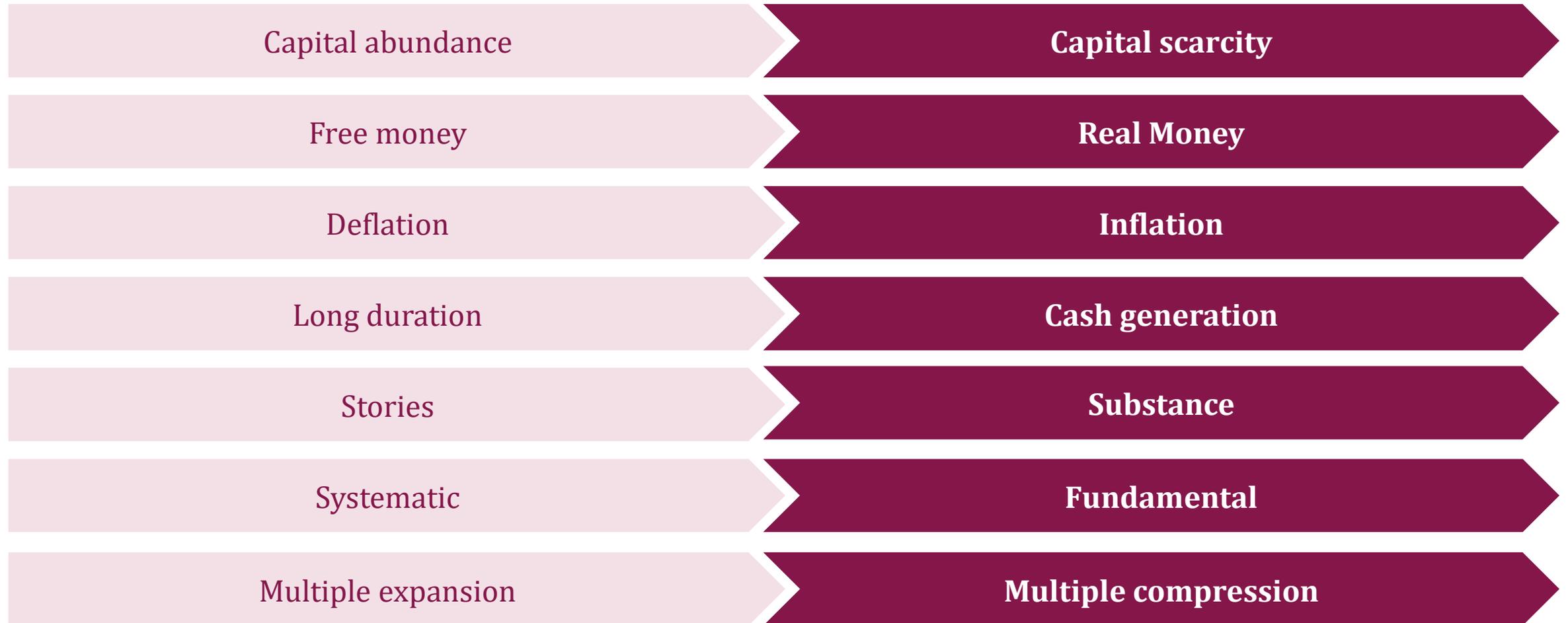
As such, a complete **regime change** is already underway

The type of stocks that will perform well in this environment **are almost certainly very different** from those that have delivered in the recent past

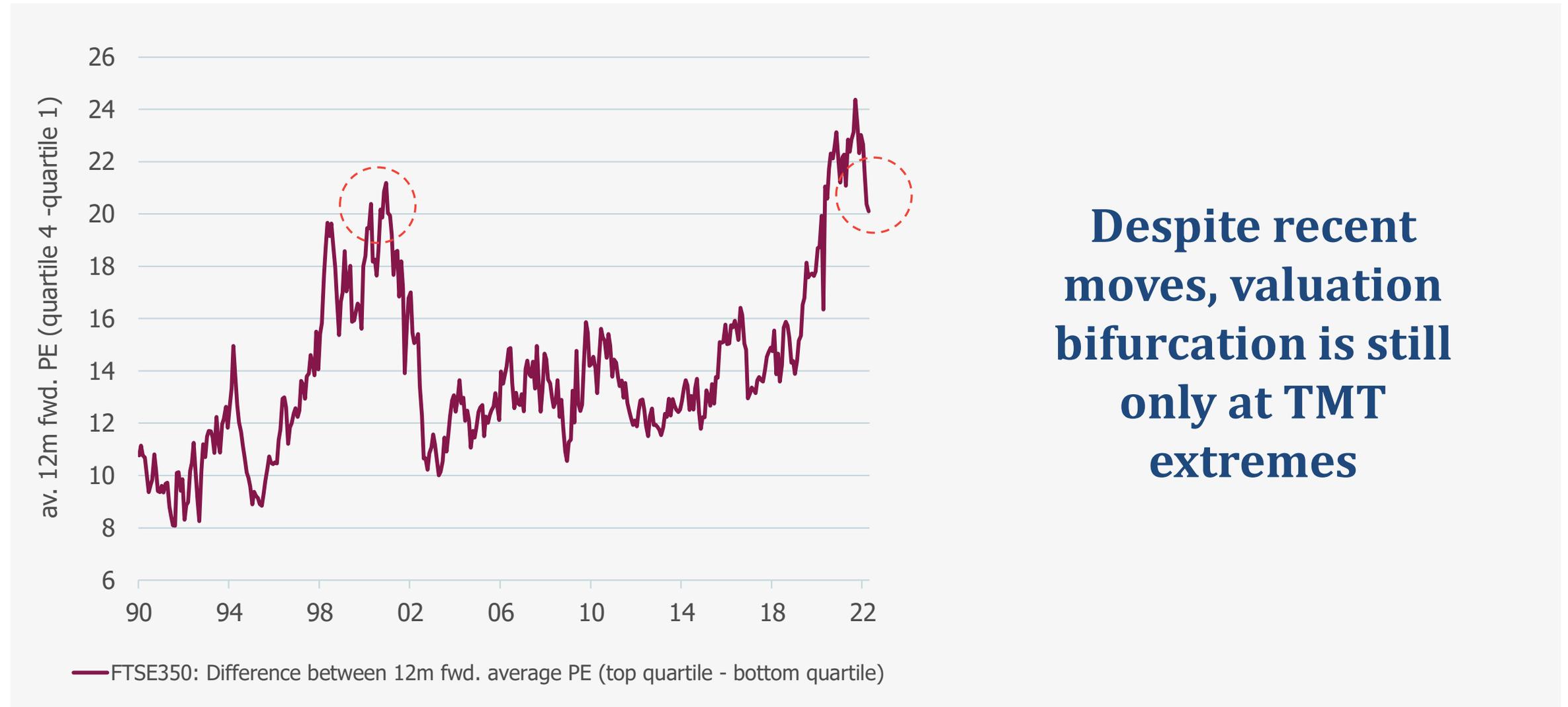
**Emotionally it can be very tough** to recognise decisive changes may be necessary

**Experience** of past and prior cycles is therefore **critical**

# The Cyclical Factors: Profound change



# Regime change: Only just getting started?



**Despite recent moves, valuation bifurcation is still only at TMT extremes**

# Structural Factors: Clear and identifiable themes



- **Brexit has re-calibrated Britain's place in the world order and shifted its domestic priorities:**
  - > Despite toxic headlines, a clear agenda is emerging
  - > Energy security, sustainability and renewables
  - > Infrastructure, entrepreneurship
  - > High value manufacturing
  - > Regulatory rollback



- **COVID has engendered meaningful structural change:**
  - > Digital transformation
  - > Business model re-invention
  - > Recalibration of individual and societal priorities
  - > Reset of relationship between capital and labour
  - > Catalyst for latent inflationary pressures



- **Ukraine will redefine the geopolitical landscape:**
  - > Domestic security: physical and cyber
  - > Energy security: sustainability and reliance on trustworthy partners
  - > Supply chain security: acceleration of de-globalisation
  - > Food security: feeding the nation

# Structural factors: UK has plentiful supply of stocks to benefit



Source: JOHCM.

# ..and the prices are truly extraordinary



**Less than the value  
of its tax losses**



**Negligible EV**



**Less than the value  
of its cash & listed  
entities**



**Decarbonisation  
portfolio in for zero**

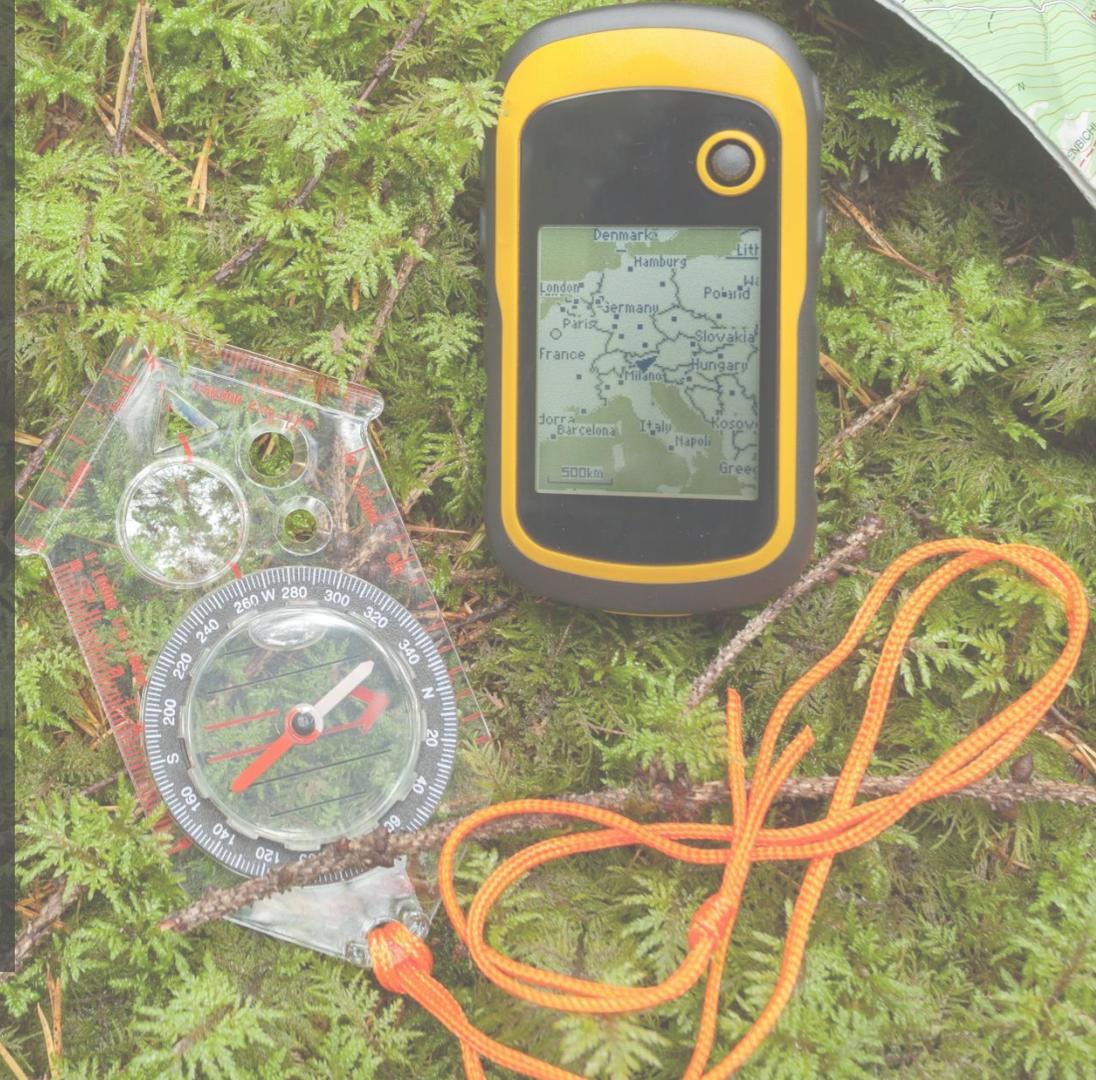
**JUST.**

**70% discount to  
book value**

**SALE**

# Roadmap to navigating and profiting from these changes

- Valuation discipline has **never been more critical**
- Stocks need to be **cash generative** and/or have the balance sheet strength to control their own destiny
- This **does not mean sacrificing growth**: Structural changes mean a new cohort of emerging winners can be found, but without traditional growth multiples
- The UK has a plethora of such unique assets with **clear strategic value** and **corporate optionality**
- Portfolio processes need to be disciplined and pragmatic, with the freedom and flexibility to exploit the opportunity
- Proven, through cycle experience can limit the hidden traps of the past



# Strong performing, delivered through cycles

**Process proven over more than 25 years, with 47 years combined investment experience**

**Fund has outlasted 440 competitors since launch<sup>1</sup>**

**Clear, defined, consistent:  
Undiscovered,  
mispriced growth**

**Conviction, multi-cap portfolio of unique and differentiated assets**

**Strong performing: 386%  
Fund vs. 242% market<sup>2</sup>**

# UKG Portfolio Characteristics



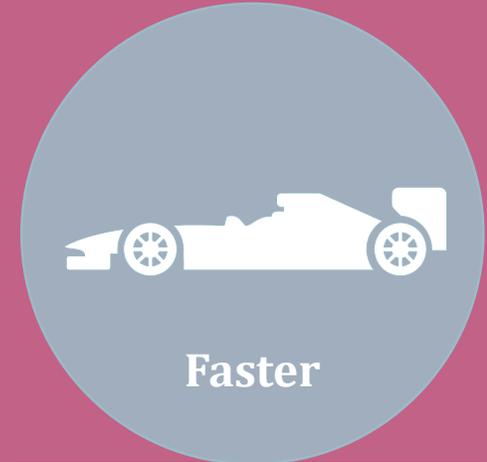
**Cheaper**

**2 Standard  
Deviations<sup>1</sup>**



**Stronger**

**2 Standard  
Deviations<sup>1</sup>**



**Faster**

**2 Standard  
Deviations<sup>1</sup>**

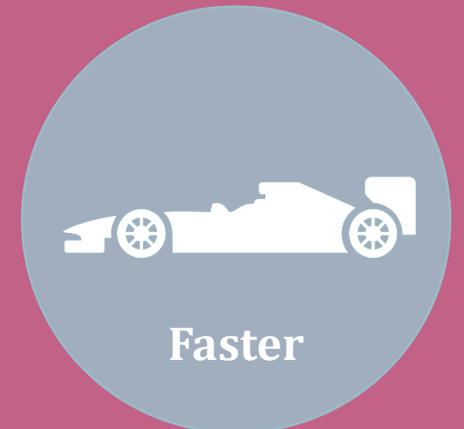
**Portfolio Free Cashflow Yield  $\sim 8\%$ <sup>2</sup>  
Earnings growth  $> 20\%$ <sup>2</sup>**

# Conclusion: UK Growth is ideally positioned for this environment

- Powerful cyclical changes are afoot, overlaid with important and enduring structural shifts



- We have the tools in the armoury to navigate these conditions
- Proven, through cycle experience
- High conviction disciplined process
- Unique, differentiated portfolio



# UKG Portfolio Characteristics



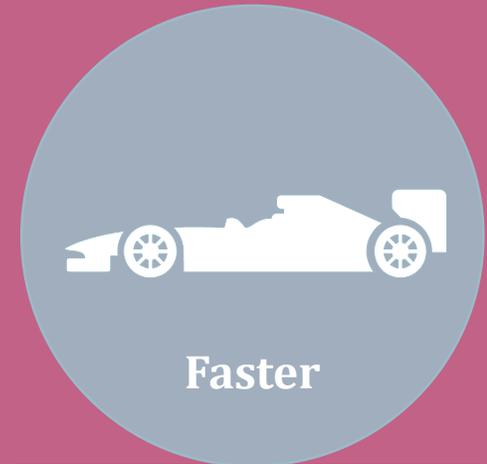
**Cheaper**

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Deviations<sup>1</sup>**



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**Faster**

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# Fund overview slide

- The Fund aims to generate long-term capital growth in excess of the FTSE All-Share Total Return Index through active management.
- Fund managers Mark Costar and Vishal Bhatia seek to identify mispriced or undiscovered growth stocks with a perceived high margin of safety but significant upside potential.
- A stock-picking fund that invests across the market cap range, albeit with a historic bias towards small-cap stocks.
- The Fund promotes environmental and social characteristics throughout the investment decision making process, please click [here](#) for further details.
- Benchmark: FTSE All-Share Total Return Index).
- The use of the Index does not limit the investment decisions of the fund manager therefore the shareholdings of the Fund may differ significantly from those of the Index.
- Please refer to the Prospectus/KIID for further information.

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