



## We don't mind if May stays or goes ... it's the firms we're interested in

### FUND FOCUS

THE country may be gripped by political uncertainty at the heart of Government, but not fund manager Julian Fosh.

Will Theresa May stay? Will she go? He is not in the slightest bit interested.

Fosh works for City-based Liontrust and is a key member of a four-strong team that manages more than £4 billion of assets. Their investment bent, dubbed the 'economic advantage' process, is based on identifying 'super' companies that will stand the test of time irrespective of political or economic turmoil.

They constantly search for listed firms with an advantage over rivals and which earn a sufficient return on capital to sustain their operations.

'We're investors,' says Fosh. 'We're not traders. Political stuff is hard to call and factor into the investment process.'

'We are very much in the Peter Lynch camp, the legendary Fidelity fund manager, who said nobody can predict interest rates, the future direction of the economy or the stock market. He said fund managers should concentrate on what is happening to the firms they are invested in, and that is what we do. Politics

### FACTS AT A GLANCE

#### SIZE AND RETURNS:

One year, +29%; three years, +40%; five years, +88%.

#### MANAGERS AND TENURE:

Anthony Cross and Julian Fosh since March 2009.

#### THE BIG RIVALS:

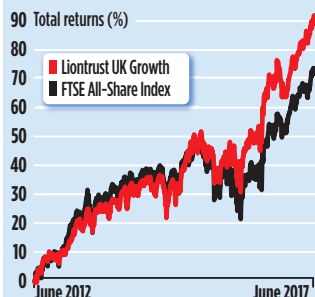
They include Franklin UK Managers' Focus, Investec UK Alpha, Lindsell Train UK Equity, Old Mutual UK Dynamic Equity and Unicorn UK Growth.

#### HOW TO INVEST:

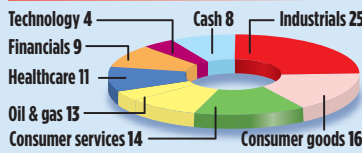
The fund is best bought via an online supermarket. The ongoing charge is 0.89%. A platform fee may also apply.

### LIONTRUST UK GROWTH

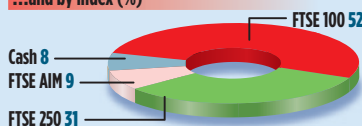
#### Fund outpaces its benchmark



#### Where the fund is invested by sector (%)



#### ...and by index (%)



does not come into our equations.' The 'economic advantage' investment approach has operated at Liontrust for 19 years since fund manager Anthony Cross arrived from rival Schroders. Fosh jumped on board nine years ago from Saracen. The team is completed by Matt Tonge and Victoria Stevens.

Originally, it was applied to the UK Smaller Companies fund, but its success resulted in new funds underpinned by the same process – UK Growth, Special Situations and more recently UK Micro Cap.

Apart from Special Situations, which is a collection of the best investment ideas from UK

Growth and UK Smaller Companies, the differentiator between the funds is the size of company held. UK Growth's portfolio is primarily based around positions in some of the country's 350 biggest listed companies, while UK Smaller Companies and UK Micro Cap invest in smaller businesses.

Fosh describes 'economic advantage' as a three-stage process. First, the team looks for firms that have a particular strength – a competitive advantage over rivals, a strong distribution network or an ability to generate recurring revenues.

These companies must then

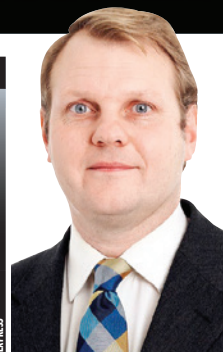
consistently generate a return above the cost of their capital – a requirement that Fosh says an increasing number of listed firms are struggling to deliver. Finally, the shares are bought only if the managers believe they can extract future value from holding them. One further requirement for smaller companies is that their management must own at least three per cent of the shares – so-called 'skin in the game'.

For UK Growth, the result is a 44-strong portfolio with familiar names such as GlaxoSmithKline, Diageo and Unilever, and the unfamiliar, for example engineers Renishaw and Spirax-

Sarco, and manufacturer Rotork. The process works. Over the past five years, UK Growth has outperformed its benchmark, the FTSE All-Share Index, and the average return of its peers. Liontrust UK Smaller Companies and Special Situations have enjoyed similar success.

Another factor differentiating the 'economic advantage' process from others is the fact that both Cross and Fosh work from their homes in Scotland. It means they can take a more detached view of stocks away from the City, identifying sound investments and then running with them long-term.

■ Jeff Prestridge



**PRIME MOTIVE:** Julian Fosh is less bothered by Mrs May's woes and focuses on the firms he is investing in

Source: FINANCIAL EXPRESS