

## Do YOU have a set of Investment Beliefs?

When a global fund manager with a compounded return of almost 24% p.a. over 5 years and 21% p.a. over the last 10 years to March 2022, comes under immense pressure in the last 6 months, it's only natural that investors experience a loss of confidence.

Despite the price decline, we remain invested into the listed investment trust, **Scottish Mortgage**, which has a long history extending back to 1909 and a portfolio valued at approximately £12 billion. However, because investing requires a **high degree of confidence**, we needed to check back on their core investment beliefs.

Not all investment managers set out their investment beliefs as clearly as Scottish Mortgage does, with 3 pages dedicated to it in their annual report. **It makes for some interesting reading, and I have summarised some of the main points here.**

*"We are **long term in our investment decisions**. It is only over periods of at least five years that the competitive advantages and managerial excellence of companies becomes apparent."*

*They therefore **own companies** rather than "rent shares" – and with a pedigree extending back over 100 years, "We think about our business over decades not quarters."*

*"The investment management industry is ill-equipped to deal with the **behavioural and emotional challenges** inherent in today's capital markets."*

They go on to say that with news overload, the constant demand for action and huge pressure to avoid losses, especially in times of stress, most managers damage portfolios. Conversely, they *"need to be willing to accept loss if there is an equal or greater chance of (almost) unlimited gain."*

*"We are very dubious about the **value of routine information**. We have little confidence in quarterly earnings and none in the views of investment banks. We try to screen out rather than incorporate their noise."*

*"We are **global** in stock selection... we are active not passive – or far worse – index plus stock selection."*

Their firm conviction is that the portfolio should be **comparatively concentrated**, with little use to shareholders to tinker around the edges of indices.

*"We are **growth stock investors**."*

They are interested in *"explosive growth"* that often requires minimal fixed assets or capital. They are willing to pay high multiples of immediate earnings because the scale of future potential and returns can be so dramatic.

# Seed Weekly

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**And last but not of least importance,** *"We believe that it is our first duty to shareholders to limit fees".*

The fund has come to the table with a very low fee structure for an active manager, which has benefitted investors over the years.

A firm set of investment beliefs is a foundational ingredient for success – especially for the type of market that we are in.

Sincerely,



**Ian De Lange CA(SA)**

Director & CIO

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