

CT European Select

Opinion

- This Recommended fund is managed according to a clearly articulated process that is applied in a consistent manner. The distinctive approach has added significant value over the long term.
- The team members use the framework of 'Porter's Five Forces' in their company analysis, which supports the search for companies that meet their quality and growth thresholds and helps them to quantify risks and stress-test their ideas.
- The fund is managed with a more pronounced large-cap focus than many other funds that adopt a similar philosophy.

Characteristics and Utility

- The team's focus on high-quality growth models results in notable sector preferences; consumer brands are typically well represented, while industries such as banks and resources are not.
- While quality and growth are the dominant characteristics, cyclical names that satisfy their criteria can also be featured.
- With a long-term investment horizon and a targeted approach to stock selection, turnover is low.
- The fund fares relatively well when quality and growth companies are in vogue. Conversely, value-driven/cyclical rallies are likely to be a struggle. The fund's innate sector biases are also germane to the risk/return outcome compared to the index and peers.
- The fund is suited to long-term investors seeking a quality growth approach to European equities. Those investors who are concerned about returns relative to the benchmark over shorter periods should consider blending the fund with a core/value strategy.

Risk Commentary

The fund's KIID Synthetic Risk and Reward Indicator (SRRI) is 6. This is a regulatory measurement that is, where possible, calculated from the volatility of its weekly performance over a five-year period. A score of 6 means the fund's historic volatility is between 15% and 25%.

Our calculations indicate that the fund's observed five-year standard deviation is marginally lower than that of mainstream European ex UK equity indices. This outcome is in keeping with the fund's large-cap bias and low turnover approach. Different share classes could have differing SRRI scores.



Key Fund Facts

Inception Date:	31 October 1986
Manager(s) Since:	Benjamin Moore (Apr 19)
Fund Domicile:	United Kingdom
Base Currency:	£ Sterling
Fund Benchmark:	FTSE World Europe ex UK
IA Sector:	Europe excluding UK

Formal documentation, including the fund prospectus and the KIID, should be sought directly from the asset manager. A link to the asset manager's website can be found on the relevant fund page at theadvisercentre.co.uk. An asset manager adviser factsheet is also provided there.

Fund Snapshot

A European equity fund whereby the team has a singular focus upon businesses with robust business models that are in a position to deliver superior returns, selected against the framework of 'Porter's Five Forces'. Within its sector, the fund features in our 'Larger-Cap, Growth' category.

Investment Team

Benjamin Moore joined Columbia Threadneedle (formerly Threadneedle) in 2015 and was appointed co-manager in April 2019. He was promoted to sole manager in January 2021, whilst previous co-manager, David Dudding, is now deputy manager on the fund. They work closely with Charlotte Burrows, an analyst in the European equity team. Prior to joining the firm, Mr Moore worked on the sell-side, specialising in European mid-cap companies. Mr Dudding joined the firm in 1999 and had managed the fund since mid-2008. They are members of the well-resourced European equities team, led by Philip Dicken.

Investment Philosophy

The team believe that they can deliver attractive long-term performance by using 'Porter's Five Forces' analysis to identify companies with robust business models that are able to deliver superior returns and generate growth on a more sustainable basis than implied by market valuations. Although the long-range investment horizon means that the philosophy loosely translates to a buy-and-hold approach, they will adjust portfolio weightings according to their perception of downside risk at the stock level.

Investment Process

The bottom-up investment approach focuses primarily on qualitative industry and company analysis. This is based upon 'Porter's Five Forces' and for each company, they assess the barriers to entry, threat of substitution, bargaining power of suppliers and customers and degree of competitive rivalry. These factors are believed to highlight those companies where returns on capital should be sustainable over the longer term, rather than reverting to the mean, which is what the market typically discounts.

This business model analysis involves significant research at the industry level, including an understanding of structural industry trends and opportunities. Not only does the fund typically incorporate preferences for industries that are better suited to sustainable growth models, with a preference for industry consolidation, but the managers also consider relative value opportunities within industries based upon quality and valuation criteria. The team may identify individual candidates in unlikely industries where they believe they have a sustainable competitive advantage from which they can drive strong growth.

Portfolio Construction and Risk Controls

The team believe it is appropriate to implement their process through a concentrated portfolio of 35-45 stocks, usually under 50. This is partly in recognition that only a small number of companies meet the investment criteria. Stock weightings must be within five percentage points of the benchmark position, with position sizes reflecting both the perceived quality of an investment idea and the expected downside risk based upon business and valuation analysis.

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