



# Brickwood

ASSET MANAGEMENT —

 TM Brickwood UK Value Fund

INVESTMENT REVIEW

For the period 24 February 2025 to 31 March 2025

## TM Brickwood UK Value Fund

The TM Brickwood UK Value fund was launched on February 24th, 2025. The investment objective of the Fund is to outperform its benchmark, the FTSE All Share Index, net of fees, over the long term (a rolling 5-year period). The fund aims to achieve this by investing at least 80% in shares of UK companies.

### Investment Philosophy

Brickwood has a clear investment philosophy, which the team have implemented for over 30 years. As value investors, we believe that one of the biggest determinants of future returns is whether the valuation paid for an individual security is high or low relative to its long-term history. Our aim is to identify undervalued securities and wait for the market to recognise their value. Through commitment to a clearly defined, evidence based and repeatable process, this approach has historically delivered attractive returns over the long term.

### Investment Process

Our process starts with screening for lowly valued shares using two screens. Both screens have a substantial body of evidence demonstrating their success in identifying attractive investments. Our first screen highlights companies that are lowly valued on their earnings. Instead of a simple price to earnings (P/E) using trailing earnings we smooth out earnings fluctuations by averaging profits over an entire economic cycle. This method, known as the Graham and Dodd P/E—named after value investors Ben Graham and David Dodd—provides a more stable and meaningful valuation benchmark. We then adjust this for inflation to give a cyclically adjusted price earnings (CAPE) ratio which we express as a yield. Our second screen – the Greenblatt screen (named after Joel Greenblatt) – ranks companies according to their valuation (low to high) and returns (high to low). The most attractive companies are those with the lowest combined score.

We then conduct a detailed analysis of each company understanding why the company is lowly valued, whether the balance sheet can cope with a setback and the extent to which the company's profits turn into cash. We also consider the company's business model, whether there are any material governance issues and the sustainability of the business more broadly. We conclude by understanding the payoff if we are correct and the downside if we have made a mistake. We are aiming for investments that have relatively limited downside but substantial upside. The portfolio is constructed to ensure a diversified set of investments with just under 50 holdings at launch.

### Stock examples

Two holdings illustrate our investment philosophy and process. First, Travis Perkins, a UK building materials company. The company has performed poorly operationally over the last few years leading to both the Chair and Chief Executive being replaced last year. Furthermore, higher interest rates and economic uncertainty have led to a downturn in their markets with volumes 10-15% below 2019 levels. We believe these are temporary problems and they enable us to invest in the company at a discount to its tangible book value and on a CAPE yield of 26%.

Second, Burberry is an international luxury clothes and accessories retailer. A combination of a sharp downturn in its biggest markets in Asia and some poor decisions around the branding and merchandising mean it is trading at a very low valuation with a CAPE yield of 17%. A new management team are addressing these issues to restore the brand and the profitability of the business.

The overall portfolio has a CAPE yield of approximately 13%. This is twice the level of its benchmark, the FTSE All Share, and demonstrates the low valuation of the Fund. Historically, the evidence has shown that there is a clear link between CAPE yields and subsequent investment returns. The higher the CAPE yield, the higher the subsequent investment return and vice versa.

It is worth noting that we don't spend much, if any time on forecasting company profits or macroeconomic indicators such as GDP or interest rates. First, the evidence shows it is very difficult and second there is little evidence that it helps identify successful investments.

## Summary

We are value investors with a disciplined and repeatable investment process that we have developed over the past 30 years. The evidence shows that by following this we can deliver attractive returns over the medium term.

We have created a portfolio of holdings which is approximately half the valuation of the index, which makes us optimistic about future returns given the low starting valuation.

We look forward to keeping investors informed as to how are investing the capital entrusted to us.

# TM Brickwood UK Value Fund

Fund Factsheet as at 31 March 2025

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## Fund Objective and Investment Policy

The investment objective of the Fund is to outperform its benchmark, the FTSE All Share Index, net of fees, over the long term (a rolling 5-year period).

Capital is at risk. There is no certainty or promise that the Fund will achieve the target over a 5-year rolling period or any other period.

The Fund aims to achieve the investment objective by investing at least 80% in shares of UK companies (defined as companies which are domiciled, incorporated or have a significant portion of their business in the UK), of which at least 80% will be in the constituents of the FTSE 350.

## Fund Performance

Since the fund was launched within the past year and has a track record of less than 12 months, its performance and tracking error cannot currently be displayed.

### Top 10 Holdings (%)

Prudential	3.5
GlaxoSmithKline	3.4
British American Tobacco	3.2
Reckitt Benckiser Group	3.2
Vodafone Group	3.2
Sanofi	2.9
Shell	2.7
BP	2.6
Land Securities Group	2.5
Sainsbury (J)	2.5

### Sector Breakdown (%)

Financials	17.1
Industrials	12.6
Communication Services	12.1
Consumer Staples	11.0
Consumer Discretionary	10.9
Materials	10.0
Health Care	8.2
Energy	6.8
Other	7.7
Cash	3.6

### Market Cap Breakdown (%)

<£1bn	8.9
£1bn-£2bn	8.8
£2bn-£5bn	22.4
£5bn-£10bn	12.9
£10bn-£25bn	14.9
>£25bn	28.6

### Country Breakdown (%)

United Kingdom	87.5
France	2.9
Finland	2.1
Netherlands	2.0
Germany	1.9
Cash	3.6

## Risk Statistics

Dividend Yield	4.7
P/E Ratio (fwd)	8.8
P/B Ratio (hist)	1.1
Active Share (%)	74.3
Tracking Error	-

## Contact Brickwood

[www.brickwoodam.com/contact-us/](http://www.brickwoodam.com/contact-us/)

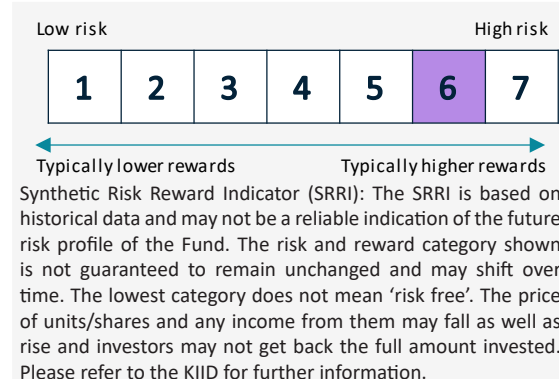
Telephone: 0333 300 0375

Email: [enquiries@brickwoodam.com](mailto:enquiries@brickwoodam.com)

## Key Information

<b>Fund Managers:</b>	Ben Whitmore Kevin Murphy
<b>Fund Launch Date:</b>	24 February 2025
<b>Share Class Launch Date:</b>	24 February 2025
<b>ACD:</b>	Thesis Unit Trust Management Limited
<b>Fund Size:</b>	£27.6 million
<b>Number of Holdings:</b>	46
<b>Target Benchmark:</b>	FTSE All-Share
<b>Comparator Benchmark:</b>	IA UK All Companies
<b>Distribution Frequency:</b>	Semi-Annual
<b>Legal Structure:</b>	OEIC
<b>Valuation Point:</b>	12:00 noon. Every UK Business Day
<b>Base Currency:</b>	GBP
<b>Domicile:</b>	United Kingdom

## Risk and Reward Profile



## Key Risks

- The value of investments and the income from them can fall and investors may get back less than the amount invested.
- Past performance is not a reliable guide to future performance.
- The fund invests in equity and equity related securities. These are sensitive to variations in the stock markets which can be volatile and change substantially in short periods of time.
- The value of an investment may be affected favourably or unfavourably by fluctuations in exchange rates, notwithstanding any efforts made to hedge such fluctuations.
- Significant exposure to a particular industrial sector or geographical region puts a Fund at risk of a localised event making a significant impact to the value of the Fund.
- A concentrated portfolio (whether by number of holdings, geographic location or sector) may be more volatile and less liquid than a diversified one.



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## Charges and Codes

Share Class	Income Distribution Policy	ISIN	Bloomberg	Ongoing Charges Figure*	Annual Management Charge**	Minimum Initial Investment	Minimum Top up Investment
R GBP INC	Income	GB00BRCCML71	TBWURIN LN	0.91%	0.75%	£100	£50
R GBP ACC	Accumulation	GB00BRCCMP10	TBWURGS LN	0.91%	0.75%	£100	£50
I GBP INC	Income	GB00BRCCMQ27	TBWUIGS LN	0.81%	0.65%	£1,000,000	£50,000
I GBP ACC	Accumulation	GB00BRCCMR34	TBWUIGA LN	0.81%	0.65%	£1,000,000	£50,000
F GBP INC	Income	GB00BRCCMS41	TBWUFGI LN	0.61%	0.45%	£100,000,000	£50,000
F GBP ACC	Accumulation	GB00BRCCMT57	TBWUFGA LN	0.61%	0.45%	£100,000,000	£50,000
S GBP INC	Income	GB00BTKTD991	TMBUVSG LN	0.71%	0.55%	£100,000,000	£10,000,000
S GBP ACC	Accumulation	GB00BTKTF046	TMBUVSA LN	0.71%	0.55%	£100,000,000	£10,000,000

\*Ongoing Charges Figure (OCF) includes:

\*\*Fund Annual Management Charge (AMC) - the annual fee, expressed as a percentage to cover the costs of running the fund.

Ongoing Cost - additional expenses are added to the AMC to give the Ongoing Cost.

Additional Expenses - charged by the fund managers to cover expenses, such as fees to auditors, trustees and valuers. The value is an indicative figure, which is reviewed regularly and can change.

The ongoing charges figure excludes portfolio transaction costs, except in the case of an entry/exit charge paid by the fund when buying or selling shares in another collective investment undertaking.

## Important Information

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