

Latitude Global Fund

LATITUDE
INVESTMENT MANAGEMENT

Investment Objective

The Latitude Global Fund follows a focussed, style agnostic approach to equity investment. By combining fundamental internal research with disciplined portfolio construction, we aim to achieve strong returns throughout market cycles.

November Commentary

Dollar Tree captured headlines this month as they increased the price of items in their store from \$1 to \$1.25, as well as adding some assortment at the \$3 and \$5 price points.

The effect of inflation has been a powerful motivator for management to “break the buck”. Supply chain issues, especially the rise in freight shipping costs, has caused a 20% fall in profits. EPS this year will now be c.\$5.50-6.00 instead of the underlying \$7.00-7.50. The stock price has risen 35% in recent weeks as investors begin to price in the impact from this decision.

While the timing is hard to predict, we know that freight costs will ease over the medium term, and the underlying earnings power will shine through.

The action taken by management to increase prices now will not be reversed in the future, paving the way for margin expansion.

Moreover, the company's competitive position has improved as they can stock a wider range of goods, can afford to pay higher wages, and have more free cash flow to grow their store footprint.

The company's customers tend to be lower-income consumers, and the business sees increased traffic in tough economic

environments. The natural defensive nature of the business is one of the attributes which has made it so interesting as a long-term investment. This cycle has been different as government stimulus cheques have driven far higher consumer spending than anticipated pre-recession.

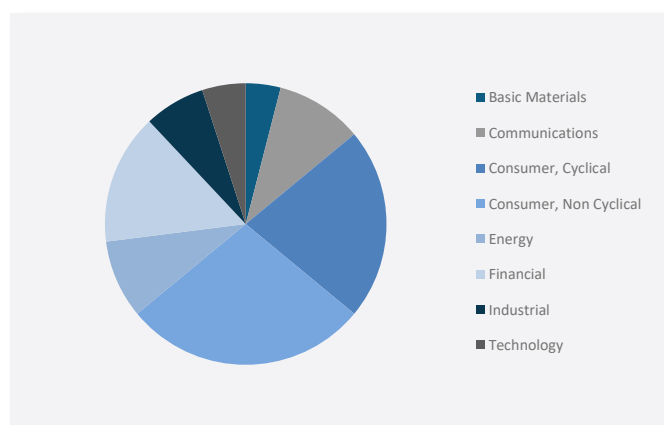
Despite the depressed level of current earnings, EPS have grown at c.13% per year since we launched the fund, and 17% per year in the longer-term. The share price has increased by a similar amount per year over both time frames.

We expect this to continue and, like with all our equity holdings, expect the primary driver of returns to clients to come from intrinsic value growth, as opposed to a valuation re-rating.

Our estimates point to a recovered EPS of c. \$11-12 per share, compared to a share price today of \$135, and trailing EPS of around half that level.

If the economy does not slow next year, shipping costs may take six to twelve months to fall back to normal levels. However, if it does, this stock stands to benefit both from lower costs and higher footfall. This asymmetry, as well as the strong underlying growth and low valuation, are very attractive at this point in the cycle.

Sector Allocation



Top Ten Holdings

AutoZone	6.1%
Dollar Tree	5.7%
Sony	5.6%
Alphabet	5.5%
Texas Instruments	5.3%
Coca-Cola	5.1%
Diageo	4.9%
Advance Auto Parts	4.8%
Novo Nordisk	4.8%
Meta Platforms	4.5%
Total Top 10	52.4%

Net Performance¹

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020									0.4%	-3.5%	11.1%	1.6%	9.4%
2021	-3.4%	3.4%	6.3%	4.2%	-0.6%	2.8%	0.9%	2.2%	1.5%	3.0%	1.3%		23.4%

¹ All data shown as at 30 November 2021. Performance shown is representative of the GBP Acc P share class and is net of fees. The September 2020 data in the table reflects the performance since the launch date of the fund (23rd September 2020). Past performance is not a guide to future performance and may not be repeated, the value of an investment may go down as well as up and you may not get back the total value of your investment.

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Key Fund Information

Fund Manager	Freddie Lait
Launch Date	23rd September 2020
Fund Assets	£23m
Legal Structure	Irish Domiciled UCITS V Fund - ICAV
Regulator	Central Bank of Ireland
Base Currency	Sterling
Regional Exposure	Global
Management Fee	0.75% per annum (Institutional Classes) 1% per annum (Primary Classes)
Performance Fee	0%
Dividends	Semi-annual
Dealing	Daily, 2pm Dublin cut off
Administrator	SEI Investments – Global Fund Services
Custodian	SEI Investments Trustee and Custodial Services (Ireland)
Auditors	PwC (Ireland)
Primary Platforms <i>(Full list available upon request)</i>	Hargreaves Lansdown, Interactive Investor, AJ Bell
Contact Details	patrick.valentine@latitudeim.com +44 (0)20 7087 9278

If you do not already receive our factsheet, and would like to, please **click [here](#)**

If you would like to invest directly through any of the platforms below please click the logo



**HARGREAVES
LANSDOWN**



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Share Classes and Identifiers

Share Class	Class	Minimum	Management Fee	TER*	ISIN	SEDOL
GBP Accumulation	I	£1m	0.75%	1.03%	IE00BMT7RM66	BMT7RM6
GBP Income	I	£1m	0.75%	1.03%	IE00BMT7RL59	BMT7RL5
USD Accumulation	I	\$1m	0.75%	1.03%	IE00BNGJKV20	BNGJKV2
GBP Accumulation	P	No Min.	1.00%	1.28%	IE00BMT7RH14	BMT7RH1
GBP Income	P	No Min.	1.00%	1.28%	IE00BMT7RG07	BMT7RG0
EUR Accumulation	P	No Min.	1.00%	1.28%	IE00BMT7JW07	BMT7JW0

Important Information

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Representative and Paying Agent in Switzerland: The representative and paying agent in Switzerland is Waystone Fund Services (Switzerland) SA, Avenue Villamont 17, 1005 Lausanne, Switzerland. Place where the relevant documents may be obtained: The Prospectus, the key investor information documents, the instrument of incorporation as well as the annual and half-yearly reports may be obtained free of charge from the representative in Switzerland. Place of Performance And Jurisdiction: Both the place of performance and the place of jurisdiction for Shares in the Fund offered or distributed in or from Switzerland shall be the seat of the Swiss representative. In Switzerland, the distribution of the Fund is restricted to Qualified Investors only.

For Hong Kong investors: You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice. This document and its contents have not been reviewed by any regulatory authority in Hong Kong.

Latitude Global Fund data source - Latitude Investment Management LLP and external published sources.