

# Use Slater fund to find growth at a reasonable price

Why investors should entrust their hard-earned money to growth champion Mark Slater

**R**ising inflation expectations means that growth-hungry investors will need to be increasingly discerning and disciplined in terms of their stock picking in the months ahead.

One sensible solution is to invest in a fund where the manager has pedigree in backing dynamic growth companies without overpaying to own the shares. Step forward Mark Slater, who has managed **Slater Growth Fund (B7T0G90)** since its 2005 inception and scours the market for firms he believes are both undervalued and boast potential for a significant re-rating.

This fund has delivered more than three times the total return (capital gains and dividends) of the IA UK All Companies sector over the past five years at 113.4% versus 32.6% respectively, according to FE Fundinfo.

Son of the late Jim Slater, the financier who penned best-selling investment book *The Zulu Principle*, Mark Slater successfully employs the PEG valuation metric, which compares the price to earnings ratio with a

company's earnings growth, as a screening tool to find shares which have a demonstrable track record of earnings growth, and which are inexpensive to boot.

*Shares* believes this is a good time to buy Slater Investments' flagship fund, since the manager has been very active in 2020 and 2021 to date, adding a variety of exciting new growth stocks to an already star-studded portfolio.

## WHY SLATER GROWTH?

With a slant towards small and mid-cap stocks, Slater Growth's stated objective is to achieve long-term capital growth by investing in 'attractively priced companies that exhibit superior, sustainable growth potential'.

Mark Slater has a tried and tested methodology to find growth companies using value filters. He uses the PEG screen to help to reduce the investable universe, with other measures then overlaid such as cash flow screens.

Slater also hunts for companies with a competitive advantage such as a high market share, as well as bullish signs in recent



## SLATER GROWTH FUND



(B7T0G90) 901.84p

Fund size: £1.4 billion

trading updates and directors preferably buying rather than selling stock.

If a stock still looks interesting once it has ticked all these boxes, the next step is for Slater to meet management to form an opinion on them, the opportunities and risks facing the business and the visibility of earnings and margins. Investors can rest assured that he'll only put money to work with a company if all criteria are met.

In short, Slater invests in real businesses that generate hard cash, gets to know them well and holds them for a long time. His process results in what he believes is a 'sleep at night' strategy, implying that investors with positions in his fund shouldn't have to fret about their money every day.

## RUNNING HIS (MANY) WINNERS

Speaking to *Shares*, Slater says he will happily run his winners so long as they are delivering the earnings growth to support their equity ratings.

Total return	3 years	5 years	10 years
Slater Growth Fund	65.9%	113.4%	334.6%
IA UK All Companies sector	15.3%	32.6%	147.1%

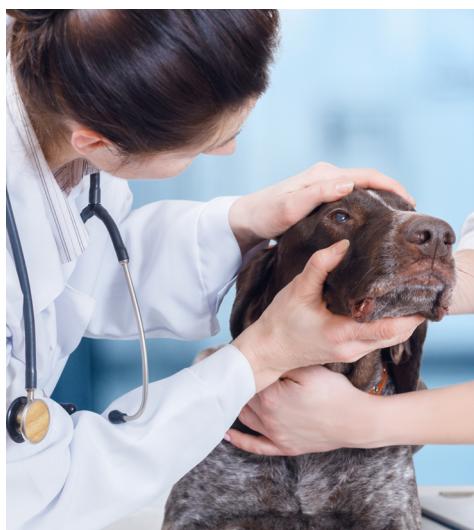
Table: Shares magazine. Source: FE Fundinfo, 5 October 2021

Scrutiny of the latest available top 10 shows holdings in the likes of **Future (FUTR)**, the media group employing a highly successful strategy that involves leveraging editorial content, ESG-minded asset manager **Liontrust (LIO)**, as well as marketing platform **Dotdigital (DOTD:AIM)** and biopharmaceutical company **Hutchmed (HCM:AIM)**.

Another top 10 holding is **CVS (CVSG:AIM)**, the integrated veterinary practices play whose shares hit an all-time high last month after it reported (23 Sep) better than expected growth in full year sales and profits.

'We like the secular growth story,' says Slater. 'People are spending an awful lot more on their pets than they used to.' An operationally geared business, CVS' earnings 'have dramatically exceeded expectations and like-for-like growth is really strong,' enthuses Slater.

Readers may point out that some of the stocks mentioned above trade on high price to earnings multiples. It is important to remember that the fund manager is comparing this valuation metric with the pace of earnings growth, so on a PEG



## Top five sectors

<b>Media &amp; Entertainment</b>	14.6%
<b>Commercial &amp; Professional Services</b>	12.0%
<b>Pharmaceuticals &amp; Biotechnology</b>	10.1%
<b>Software &amp; Services</b>	9.8%
<b>Consumer Services</b>	8.3%

Source: Slater Investments, as of 31.8.21

basis many portfolio names are likely to look good value.

## RECENT ADDITIONS

Though Slater Growth has sensibly 'taken money off the table here and there', the last company sold outright was racing games developer Codemasters, and this was only due to a premium-priced takeover by Electronic Arts earlier this year as opposed to any stock selection faux pas.

One detractor to performance of late has been **Clinigen (CLIN:AIM)**, the specialist pharmaceutical products and services group which plunged following a June profit warning and subsequently announced a further earnings downgrade with the full year results (16 Sep).

Nevertheless, the company

## TOP 10 HOLDINGS

<b>Future</b>	9.5%
<b>Prudential</b>	4.1%
<b>Next Fifteen</b>	3.4%
<b>Liontrust Asset Management</b>	3.3%
<b>Clinigen</b>	2.9%
<b>Dotdigital</b>	2.8%
<b>Alliance</b>	2.8%
<b>Hutchmed</b>	2.8%
<b>Gamesys</b>	2.8%
<b>CVS</b>	2.8%

Source: Slater Investments, as of 31.8.21



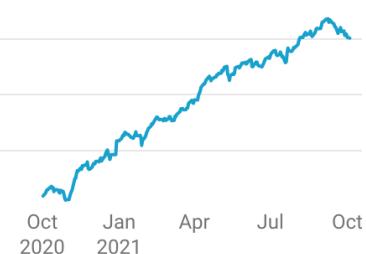
remains in Slater Growth's top 10 and the arrival of US activist Elliott Associates on the shareholder register suggests we might see changes to the business.

Slater Growth has been very active in terms of new purchases in 2020 and 2021. Last year, Slater Growth invested in **Kape Technologies (KAPE:AIM)**, the acquisitive digital security-to-privacy software business, then topped up the holding by participating in the group's recent share placing.

Reassuringly, Slater says the business is cash generative and has 'good growth dynamics and pricing power', the latter quality welcome in an era of rising inflation.

New investments made this year include media group **Reach (RCH)**, e-commerce service group **Clipper Logistics (CLG)** and outsourcing firm **Serco (SRP)**. [JC]

## Slater Growth



Source: Refinitiv • Created with Datawrapper

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