

Leveraging comparative advantage in the consumer sector, a profile of Cleavemoor

With #QVCS Maddyne's profiles different funds to give founders and entrepreneurs the information they need to choose the right investor. Today we interview Ewan Mitchell, founder of Cleavemoor Limited.

Working at Barclays for seven years and as part of the top-ranked EU Consumer Staples equity research team, I developed a passion for the significant investment potential in the consumer sector. As a lead analyst, at some point, across the majority of consumer staples sectors, I witnessed first hand the sectors consistent out-performance, often through economic downturns and equity market turbulence.

Yet, I felt there was a material gap in the market for an investment strategy which truly placed exceptional people at its heart. There are countless examples of organisations which have outperformed their competitors, despite a desk analysis suggesting the contrary, due to management teams creating high performing teams. This vision drove the creation of Cleavemoor and is the foundation for all our investment decisions.

Which industries are you working in?

Cleavemoor is constantly looking for high-quality businesses with top-class intangible assets. We look for great people with a great vision in the consumer sector. We are uniquely positioned to support organisations in consumer through our experience, expertise and connections. We invest with a focus on medium to long-term trends that we believe will shape the space over the next ten years.

This year we launched Cleavemoor¹⁰, our headline fund, which deploys our proprietary Agile Horizon StrategyTM. We blend liquid public equities with long-term high returning private equity investments. It is focused vertically on the consumer sector, leveraging our comparative advantage in the space. We designed this strategy on our people's strengths and are able to offer a consumer fund that has the potential for very attractive returns whilst retaining flexibility through its increased liquidity.

What do you look for in a partner?

We are always looking for exceptional intangible assets in the consumer space and this is a particular focus in our private equity investments. We look for comparatively strong gross margins, a good indicator of brand strength, as the foundation of excellent returns on operating capital and a strong cash flow. In our view, the consumer is increasingly looking for an authentic connection with aspirational brands with a genuine offering. More and more we are seeing consumers look for brands with a strong purpose interwoven with their connection and offering. The people able to achieve this are setup for success in our view.

Can you talk about your current portfolio?

We have a strong pipeline of potential initial investments in high growth consumer businesses and have already made an initial investment in Puresport, as its largest institutional investor.

Puresport is the UK's leading CBD and natural wellness brand, and Cleavemoor has invested behind the firm's strong management team, business plan, and high-growth market potential. The UK's cannabinoid industry was valued at £690 million at the end of 2021 and is currently the second largest market outside of the US.

One of the major attractions for companies with whom we work is access to Cleavemoor's Portfolio Advisory Group, allowing our portfolio companies access to a well-connected network of seasoned professionals, including long-standing industry advisors, consultants, and non-executive directors.

What does the future look like? New trends/technologies, changes in the global/local economic landscape?

The fund management industry is going to develop rapidly over the next decade and innovative strategies will be in the vanguard. Cleavemoor¹⁰, our flagship fund, is innovative from the ground up. We offer a specialist and unique philosophy founded on the analytical expertise of the Cleavemoor team.

We position and drive our investments to capitalise on major thematic trends. Looking forward, we see food system change as a major trend over the next ten years. The food system is a major driver of climate change but is also heavily impacted by climate changes. We look for businesses that are positioned to play a part in addressing the challenges of food security, sustainable land use, nature loss and climate change.

We see this trend as having the potential to cause dramatic shifts in consumer behaviour, with the added potential for regulatory intervention. This, in our view, will lead to material and rapid changes in company's revenues and earnings. Businesses and brands that are positioned to capitalise on this trend will be the big businesses and brands of the future.

What makes Cleavemoor different?

Cleavemoor¹⁰ is built on our Agile Horizon Strategy™ which blends a consumer sector long/short public equities portfolio with consumer private equity investments. This approach aims to deliver returns, stability, and liquidity, while also offering one-of-a-kind growth opportunities in the long term. With a unique philosophy and backed by the analytical expertise of the Cleavemoor team, the fund offers a new way of investing for clients.

Cleavemoor places people at the heart of its investment strategy, with the understanding that good leaders are the key to the success of any company, and their impact can be felt at all levels of an organisation.

We are confident that this distinctive investment strategy and fund structure, along with our experienced team, provide investors with an opportunity to

attain robust returns. The consumer sector has always proven to be reliable in difficult market conditions and with the ongoing economic and market uncertainty, it remains a strong sector in which to invest.

Ewan Mitchell is the founder of *Cleavemoor Limited*.

Article by EWAN MITCHELL