

SHINING A LIGHT ON..... JOHCM UK DYNAMIC FUND

Update....

In a crowded UK market finding managers that stand has to be a way to be the way forward; simple but true. Unfortunately finding the gems is increasingly more difficult because funds perform well at different stages of the cycle (and with greater volatility this doesn't help).

One manager we think might appeal to some investors is the manager of the JOHCM UK Dynamic Fund. The process and style has already been provided; as a summary the manager places companies into different baskets from restructuring to recovery to growth and the amount increases as greater conviction is gained.

Alex started the presentation by explaining some of the challenges facing investors. The FTSE All Share Index during 2014 was flat and he believes there is value within the market but in selective areas. There is no particular reason for this but he believes the volatility has not helped. He cited the increase in profit warnings which are close to the levels of 2008 / 2009 which demonstrate how poor forecasting is and how this adds to creating additional volatility.

Of course this uncertainty within the UK market will continue especially with the build up to the election, like many managers no-one can call the outcome but what is clear is that the UK market is out of favour and is under owned alongside sectors / areas like commodities, emerging markets and materials!

So a tricky area to invest so it is interesting to see how Alex has responded. We touched on oil. Oil prices were down 40% in the final quarter of 2014. This had an impact on driving down oil and gas stocks in the FTSE 100 and did have an impact on parts of the portfolio.

One holding which has suffered is Premier Oil – they purchased the stock in April they tested various scenarios on possible oil price falls but didn't (like almost everyone else) predict the extent of the falls. The investment was made on a strategic change being implemented by management and this should start to create value for shareholders. He admits that with oil prices at their current level this does make it harder but he believes it can come good.

Another stock was Anglo American which is a big change story but was lumped into the falls in the last quarter.

But as is the style of the fund other holdings have come through like Man Group, and another was Betfair which saw a 50% growth in their share price driven by the catalysts that they had identified. And Synergy Health was purchased by a major competitor which meant that they took profits.

With the volatility in the market it has enabled them to strengthen positions in Britvic, EZV, Glaxo, National Express and Vodafone. They have also sold out of Sainsbury's and increased their holdings in Morrisons because they feel the story is better.

Effectively this is a fund which is looking for opportunities which are being missed by the market and sometimes these will take time to come through. The volatility of 2014 has given the manager opportunities and he seems optimistic for the long term performance of the fund although he believes up to and around the election there will be continued volatility.

LWM Consultants Ltd

In conclusion this is a well-managed and continues to deliver long term value for investors. They are not immune to downturns and were caught out in some areas by the fall in oil prices but equally they have been able to take advantage of cheaper valuations to increase holdings and add new stocks. It will appeal to investors looking to invest in recovery and restructuring stories with a long term investment time horizon.

Fund performance

Performance over the last five years is shown below:

	2010	2011	2012	2013	2014
JOHCM UK Dynamic Fund	16.47%	-8.02%	28.03%	32.03%	3.48%
Lyxor ETF FTSE All Share	15.40%	-4.61%	11.67%	20.16%	0.93%

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

The source of information in this note has been provided by JOHCM and is correct as at January 2015. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well rise.