

SHINING A LIGHT ON.....
SLI Global Absolute Return Strategies Fund

Update....

In an environment where there appears to be no safe haven in times of market volatility more and more strategies are being developed to respond to this. The SLI Global Absolute Return Strategies Fund is one of those options with a track record going back to 2008. The fund strategy was initially developed for their staff pension fund before being rolled out for retail investors.

Its target return is cash plus 5% gross of charges over a rolling three year period and to date it has achieved this target. It is important to stress that the fund can deliver negative returns especially over shorter periods of time. The last quarter was its first negative quarter for two years.

The aim of the management team is to make money across different market environments using a combination of strategies. The three main areas are market return (selective equities), directional (interest rates, currencies, volatility) and relative (buying one / selling another).

In the update we covered the last quarter and some of the current strategies. In the last quarter the fund suffered two negative months (April and June) and one positive (May) leaving it slightly down for the month. Taking this further the fund had 33 strategies in play of which 13 were down, 5 were up and the balance neutral meaning that no one strategy dominated the portfolio.

Some of the positives in the quarter included Chinese Equity vs UK Equity Volatility and US Dollar vs Japanese Yen. On the flipside some of the negatives included German vs French Equities, US Relative Interest Rates and US Large vs US Small Cap Equity.

We talked around some of the changes to the portfolio and they explained that many of the changes can be grouped together. They gave one example of where the devaluation of the Yen has benefited Japanese companies compared to Korean companies. However, a move to devalue the Korean currency has made them remove this trade but they still like Japanese equities and therefore they have made a trade on Japanese equities.

They went on to explain that some of the themes they are currently focusing on within the fund include economic growth not being homogenous, multi speed global growth and central bank policy.

One area we are still exploring is the size of the fund which is now over £40 billion. In the update this was not covered but the managers did indicate that liquidate was not an issue due to the many different investment strategies they hold in the fund.

In summary the fund continues to deliver on its stated targets. The underlying investments can be seen as complex and might not suit all investors. It does target a positive return but can produce negative returns. There is a question mark around the size of the fund but due to the different strategies it runs this at the moment doesn't seem to be a concern. It is also worth highlighting that over 30 people are employed directly to manage this strategy.

LWM Consultants Ltd

Fund performance

Performance over the last five years and 2015 is shown below:

	2010	2011	2012	2013	2014	2015	Since Launch
SLI Global Absolute Return Strategies Fund	10.64%	2.88%	7.74%	7.00%	5.69%	4.13%	7.44% p.a.
Money Market Index	0.32%	0.03%	0.49%	0.23%	0.29%	0.14%	0.59% p.a.

*launch 29 January 2008

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 SLI and is correct as at August 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.