

SHINING A LIGHT ON..... OLD MUTUAL UK ALPHA FUND

Update....

We reviewed this fund back in February 2015. At the time we felt that although the performance since Richard Buxton took on this fund has been average no-one can deny what he did at Schroders where he built up an excellent track record. Equally his time horizon of three to five years means that until we get to these anniversaries it is unfair to judge him.

Investors therefore may consider investing with him because they have done so in the past and trust and like his strategy. In this update I was interested to understand more about his view of the global economy and what is happening and perhaps how this feeds down into stock selection.

Clearly Richard has some concerns on the global outlook, the recent corrections have been driven by two events. Firstly a slowdown in China which has weighed heavily on global stocks and in particular commodities and secondly this has led to the Fed delaying increasing interest rates on concerns about the global economy. It also begs the question as to whether they know something we don't!

Taking this further Richard feels that the Fed indecision undermines consumer confidence and this makes the market nervous. Two other factors to add to the mix are the downgrades in industrial earnings and in particular whether the likes of VW have the potential for a much wider scandal. The auto industry is a massive part of European manufacturing. Any disruption to this is not good news so this needs to be followed carefully.

In all of this there are opportunities as Richard explained; resource stocks are so hated and priced to destruction that they are like the banks five years ago. Glencore is an example of this where the share price has fallen over 60% in a year. He doesn't know where the bottom is for the stock but he remains of the view that it is a good company but just unloved, therefore it provides opportunities.

Richard feels that perhaps the concerns are overdone but this won't stop uncertainty and volatility in the market. China is not all bad but it needs to restore credibility and actually lower oil prices is positive for many economies. The market weakness provides opportunities which he is taking. He has added to his holdings in Astra Zeneca, Glaxo, BP, Shell and Vodafone.

Additionally although Glencore has hurt the fund he has added to this holding. Another early investment is Burberry which he has built a small weighting in and is hoping to add to on market weakness. He seems confident that long term the fund offers great opportunities and he explained in the first market correction in August he used that to add to his own personal holdings showing his belief in his own strategy.

The top ten holdings include Aviva, Glaxo, Barclays, Shell, Lloyds, HSBC, Vodafone, Sage, Astra and BP. He is also holding 3% in cash to enable him to respond to future market weakness.

In summary clearly Richard has a good reputation and strong track record however since joining Old Mutual he is yet to repeat this but his strategy should be viewed over a 3 to 5 year time horizon. If he is right then he is currently buying good companies at cheap valuations and these should correct over time.

LWM Consultants Ltd

Fund performance

Performance since Richard took over the fund on 1 July 2013 to 31 August 2015.

	2013	2014	2015	Since taking management of the fund
Old Mutual UK Alpha R Fund	15.67%	1.54%	-3.03%	13.88%
FTSE All Share Index	11.35%	1.18%	-0.13%	12.51%

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.

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