SHINING A LIGHT ON……
JPM MULTI ASSET MACRO FUND

At a glance

For some time, we have indicated that we feel that returns from fixed interest investments (bonds) will be squeezed, and that investors can expect greater volatility. Even managers of these assets admit that they don't really know what the future holds.

In August when the markets went down, both bonds and equities dropped. In the past we have come to expect that bonds will act as a cushion in times of market volatility. It seems that this might be changing.

To respond to this challenge, we are seeing investment houses delivering clever solutions. Standard Life paved the way with the Global Absolute Return Strategies Fund and others have followed including MAN GLG (although the fund has closed), Invesco, Aviva to name just a few.

The JPM Multi Asset Macro Fund is similar to all these strategies and has been in the market since February 2013. It targets a higher return of cash plus 7% with volatility of 6% to 10%. To date it has exceeded its targets and we caught up with one of the managers to understand more about the fund and its aims. From a performance perspective we have compared to the Standard Life Global Focus Strategies Fund which targets the same return.

Who are the team behind the fund?

The fund and its underlying strategy was set up by Talib Sheikh, James Elliot and Shrenick Shah. Our update was with Talib. The team work together to decide on strategies rather than individuals producing separate strategies.

Additionally, they are supported by a team of four and have a feed across the JPM group and in particular the Global Multi Asset Strategy Team and Global Multi Asset Research Team.

Fund highlights?

As an introduction Talib explained that the fund targets cash plus 7% with volatility of between 6% and 10%. In the words of Talib this is an aggressive return target but one which includes a high degree of focus on risk control.

His view is that as the world becomes more divergent (interest rates increasing in the UK and US) volatility will become greater. In the past investors could expect fixed interest investments to provide a cushion when equities dropped but this no longer seems the case and therefore the view is that investors should consider alternatives.

These funds are complex in the holdings they have and may not suit all investors but for some they may be worth considering. It is also important to add that not all succeed as we saw with MAN GLG.

There are three strands to the fund:

1. Generate Macro Themes – this is the intellectual framework of the fund and is their view of what is happening in the global economy

2. Selected Investment Strategies – the process of deciding on the best risk adjusted returns based on the macro themes
3. Portfolio construction and risk management – the process of building a diversified mix of strategies

Talib explained that the main themes in play are; supply side weakness, Europe gradual growth recovery, low inflation, Japanese economic recovery, China in transition, emerging market rebalancing, global policy divergence and US economic strength.

The strategies that are employed to ensure the fund 'exploits' these themes are split into three:

1. Traditional – this is pure equities and bonds with an 18-month plus outlook. As an example they currently invest in Japanese Equities but specific sectors
2. Relative value – this a mix of trades including equity relative value, fixed income relative value, derivatives, currency and volatility. Time frame tends to be 6 to 18 months. As an example they have a trade where they are Long the US Dollar vs other currencies like the Australian Dollar
3. Dynamic Hedging – this is the use of derivatives and has a short time frame of 0 to 6 months. The aim is to only add when a specific event is happening.

Talib went on to use the example of the US Economic Strength theme and explained that they have two strategies in place; basket of US financials and Long USD vs Emerging Market Currencies. These ideas are constantly reviewed for inclusion or exclusion. Effectively it is not just strategy that drives the returns.

The portfolio structure is dynamic; at the end of March, 68% of the portfolio was in traditional strategies. However, as the team have become more nervous about the direction of equity markets and interest rates they have moved towards a 70% positioning in relative value.

In summary these funds will not suit all investors because they employ complex strategies and you are reliant on the team to deliver. To date the fund has achieved this and certainly for those already using these as part of their portfolios it may be one to consider.

Past Performance

We have compared performance to the Standard Life Global Focus Strategies Fund. The performance is since launch in February 2013 to 31 October 2015.

The 2013 performance only shows the JPM Fund as the Standard Life Fund was launched in December 2013. From the launch date of the Standard Life Fund to the 31 October 2015 the JPM Fund has returned 24.13% and the Standard Life Fund 7.55%. Since launch the JPM Fund has returned 30.86%

	2013	2014	2015
JPM Multi Asset Macro Fund	7.44%	9.66%	11.07%
SLI Global Focus Strategies Fund	N/A	-1.01%	6.99%

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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