

## SHINING A LIGHT ON..... JUPITER ABSOLUTE RETURN FUND

### Update....

The fund was set up in December 2009 and had mixed performance until James Clunie took over the management on 1 September 2013. In a more normalised market where volatility means that shares can be up one day and down the next, investors are naturally seeking alternative options. This fund may appeal to investors as a blend with other investments, or a standalone investment.

It has a global remit and looks to generate a positive return over a three-year period. It operates a long/short equity strategy and currently is slightly in favour of short. *(An equity **long-short strategy** is an investing **strategy**, used primarily by hedge funds, that involves taking **long** positions in stocks that are expected to increase in value and **short** positions in stocks that are expected to decrease in value.)* It can use other asset classes to hedge the equity position, whether this is for example currency or bonds. James feels this is a simple fund with a flexible mandate and since taking on the fund it has delivered on what he has set out to do.

To illustrate he explained that in August and January when the markets were down the fund was up and this is in part to the strategy he adopts in managing the fund. We discussed the investment process and he explained it is a very simple bottom up stocking picking process. Only when he has his positions does he look at the wider macro picture and at that point will he add a hedge like currency if he feels this will provide some protection on the position.

There are three parts to stock selection which he feels are unique to the fund. Quantitative which looks at whether a stock will outperform or underperform over the next 1 to 2 years, then fundamental which looks over an eight-year period and then ecology which is short term trading over events over a 1 to 4-week period. Blended together these deliver a blend of investments that the fund can use.

We discussed in more detail each of these areas and James explained:

1. **Quant** – with this he is using the usual measures (value, quality, low asset growth etc) and looking for anomalies to identify what's attractive and what's not. They then grade stocks such that green are classified as long and orange/red short
2. **Fundamental** – this is the most time consuming part of the process which involves looking through annual accounts, quarterly updates etc. Similar to the quant process it is looking for anomalies and working out what is a fair price for a stock
3. **Ecology** – this is looking for short term anomalies, in particular things like the shareholder register

It is these elements that provide what James believes is the edge with the fund. His view is that the fund can act as a good blend with other holdings and as he highlighted in August and January where equities were down this fund was up.

Effectively this fund likes change, and uncertainty and it looks to profit from this. Current long stocks include the likes of BP, Rio Tinto etc and short stocks include Diageo, Tesla etc. The fund is currently slightly net short but the short positions are smaller.

The fund currently favours value stocks and good balance sheets and is short glamour stocks.

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In summary in an uncertain market, where it returns to a more normalised world with volatility this fund is something to consider either as a blend or standalone fund. It is constructed to be easy to understand and since taking on the fund in 2013 the manager has delivered on his aims. Moving forward he feels he can achieve returns of circa 6% a year (although this is not guaranteed).

## Fund performance

Performance since 1 January 2011 to 21 March 2016 vs iShares MSCI World Dist ETF:

	2011	2012	2013	2014	2015	2016
<b>Jupiter Absolute Return Fund</b>	-0.15%	0.46%	1.87%	-0.80%	5.27%	4.11%
<b>iShares MSCI World Dist ETF</b>	-7.32%	7.46%	21.87%	10.53%	1.85%	1.42%

Performance over 1 year, 3 years and 5 years and since launch (14 December 2009).

	1 Year	3 Years	5 Years	Since Launch
<b>Jupiter Absolute Return Fund</b>	5.89%	9.89%	14.27%	12.13%
<b>iShares MSCI World Dist ETF</b>	-3.96%	21.50%	41.59%	58.85%

*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 Jupiter and is correct as at March 2016. 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.*