

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

Update....

We have recently reviewed this fund and would recommend that potential investors look at previous notes for more details on the strategy and aim of the fund. This update is following a one-to-one meeting with James Clunie who runs the fund to provide a little more insight to him, and his approach.

We started the discussion by talking about James' background. James explained that he previously worked at SWIP where he managed a similar fund; he took on this fund three years ago following a similar remit. He added that the strategy he has adopted is different to how the fund was previously managed where there was a greater bias to cash.

He feels that the edge that he has is on single stock short selling. For twelve years he has been researching short selling and identifying what signals work. Two things he has learnt is patience and accepting mistakes (and losses). He believes that this edge means that he can add about 3% extra performance from pure skill.

Although there is no target return the aim is to deliver 6% p.a. He added that unlike other funds he aims to keep this simple, and relatively small in terms of assets and through this it can act as a counterbalance for other funds in the sector.

The other side to the story is the volatility, the aim is to deliver volatility of a third of equities. This isn't a bond replacement fund but it does display the volatility characteristics associated with bonds. In this very uncertain world this may appeal to investors. Where the fund thrives is during periods of change. So in all the major shocks last year and this year the fund was up. Although 2016 has been good, James feels 2015 was very difficult and it was sticking to what he knows that helped him deliver positive returns.

During the tail end of 2015 he started to build up short selling ideas in the US and in particular in glamour stocks. When the market dropped the fund was in the right place and was able to deliver near 6% for the month. Skill clearly plays a big part in returns but it is the layering of stock selection ideas which ensures risk is reduced. This involves looking at immediate signals like shareholder activity, near term (1-2 years) looking at normal valuation metrics and then long term.

The fund is currently slightly net short. We asked whether this is a hedge fund to all intents and purposes and James explained it does have hedge fund characteristics but without the direct leverage and no expensive performance fees. The fund does use derivatives because it has to but it looks to avoid options. The fund may also hold gold and government bonds where he feels it is appropriate.

James added that the portfolio feels ugly and is different to others that are out there. The fund is long value stocks and short quality and glamour and that makes it feel very different to others. He added that this is not about taken undue risk but being sensible with people's money.

Although he has done well and has a good track record he added that there will be periods where the strategies go against him, but it is about going back to the basic strategy of accepting mistakes and losses. There is a size capacity on the fund, currently the fund is sat at just over £300 million and he expects this to be capped at £1 billion which will be in a couple of years' time.

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In summary meeting James if anything strengthens our view of the fund. In a normalised world of volatility this brings uncertainty and this is an environment where this fund thrives. Clearly James is very talented in what he does and this has come through in the performance to date. Investors shouldn't see this as a fund that will deliver positive returns all the time because clearly returns are not guaranteed but the aim is to do so. For those investors uncertain where to place money and looking for low volatility then this could be an option for them either as a standalone investment or a blend with other funds.

Fund performance

Performance since 1 January 2011 to 28 April 2016 vs iShares MSCI World Dist ETF:

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|-------------------------------------|--------|-------|--------|--------|-------|-------|
| Jupiter Absolute Return Fund | 0.05% | 0.93% | 2.25% | -0.09% | 6.01% | 4.89% |
| iShares MSCI World Dist ETF | -7.32% | 7.46% | 21.87% | 10.53% | 1.85% | 3.12% |

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

| | 1 Year | 3 Years | 5 Years | Since Launch |
|-------------------------------------|--------|---------|---------|--------------|
| Jupiter Absolute Return Fund | 5.92% | 12.90% | 19.26% | 15.77% |
| iShares MSCI World Dist ETF | -1.28% | 23.23% | 39.08% | 61.50% |

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 April 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.