SHINING A LIGHT ON THE……
IP Global Targeted Returns Fund

AT A GLANCE

Investment Objective
The Fund aims to achieve a positive total return in all market conditions over a rolling 3 year period. The Fund targets a gross return of 5% per annum above UK 3 month LIBOR (or an equivalent reference rate) and aims to achieve this with less than half the volatility of global equities, over the same rolling 3-year period. There is no guarantee that the Fund will achieve a positive return or its target and an investor may not get back the full amount invested. The Fund seeks to achieve its objective by using a range of investment strategies and techniques to invest actively in a broad selection of asset classes across all economic sectors worldwide.

Inception Date	9 September 2013
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000QBVB

Management	
Manager Name	**Start Date**
Richard Batty	9 September 2013
David Jubb	9 September 2013
David Millar	9 September 2013

Investment Style Details	
Equity Style	
Market Capitalisation	**% of Equity**
Giant	55.13%
Large	28.55%
Medium	13.65%
Small	2.65%
Micro	0.02%

Top 10 Holdings		
Total number of holdings	819	
Assets in Top 10 Holdings	30.14	
Name		**% of Assets**
Euro-Stoxx Bank Future June 17 16		5.23%
United Kingdom (Government of) 3.25%		3.99%
United Kingdom (Government of) 3.50%		3.91%
DAX Index Future June 16		3.89%
US Treasury Bond		3.00%
Invesco Asian Equity C USD Acc		2.87%
Nikkei 225 Stock Avg Index Future June 16		1.97%
Poland (Rep of) 3.25%		1.92%
United Mexican States 10%		1.53%
BT Group		1.03%

FUND PERFORMANCE

Performance from 9 September 2013 to 31 August 2016:

	2013	2014	2015	2016
IP Global Target Returns Fund	4.01%	8.38%	1.44%	3.21%

Performance over 1 year, and since launch (9 September 2013).

	1 year	Since Launch
IP Global Target Returns Fund	4.20%	18.03%

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.

UPDATE….

There are a number of funds which attempt to provide bond like volatility with equity style returns. This fund spun out of the team from Standard Life Global Absolute Return Strategies Fund, in fact much of the team comes from Standard Life and a new member is due to join from Standard Life shortly. The Fund is about to hit its three-year anniversary and the team were keen to point out that it has achieved its 3-year return target. To the end of August, the annual return was 5.73%.

However, it is worth adding that the performance in 2015 and 2016 has been lacklustre and for those looking at these funds it is worth challenging whether in this market environment these funds can continue to perform. It has only achieved its target due to the performance when the fund was established. Standard Life and Aviva who offer similar funds have also struggled in this environment. So any potential investor should ask the question whether they can actually achieve the target return moving forward.

Although the underlying investments may seem complex the strategy itself is fairly simple. The team have a focus on what their view is of the world and from this have a list of ideas which they invest in to deliver the targeted return; simple!!! Currently they have 30 ideas across 6 asset classes and 16 regions with the idea that no one idea dominates the fund in terms of risk. The aim is that more than 50% of the ideas work at any one time and therefore this delivers the positive returns. Some of the key economic thesis that they are working from includes:

1. Challenges to the global economy
2. Uncertain market impacts from changing policy
3. Globally low inflation
4. Selected opportunities in risk assets
5. Higher levels of market volatility

In the last quarter they had a 50/50 hit rate which basically meant that the positive returns were cancelled out by the negative returns effectively giving flat returns. There is a misconception with this fund, that by the nature of its name it should only deliver positive returns. The reality is that you can have negative returns but obviously the aim is to avoid this.

The areas where the fund did well included Currency (Japanese Yen vs Korean Won), Equities (European Divergence), Currency (Chilean Peso vs Australian Dollar), Currency (US Dollar vs Euro) and Equities (US Staples vs Discretionary).

Areas which were negative included Interest Rates (Japanese Curve Steepener), Volatility (Selective FX), Equities (UK), Interest Rates (UK) and Volatility (Asian Equities vs US Equities).

Turning to the BREXIT vote, the team didn't immediately change any strategies and are reviewing this over the third quarter.

In summary the focus is to keep volatility low but deliver the target return over a three-year period. Although it has achieved this, these strategies have struggled over the last two years and the question for any investor is whether this is a short term issue or signs of a more worrying long term trend.

The source of information in this note has been provided by Invesco and is correct as at August 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. We would also recommend that you receive advice before following up on any decision.