

## **SHINING A LIGHT ON..... BOSTON COMPANY US OPPORTUNITIES FUND**

### **Intro**

To invest in the US is very tricky and there is a strong argument that as very few funds outperform the index investors wanting to get returns from this region would be better to invest in a passive fund. On the flip side although this is almost certainly true of the last five years there is some argument that going forward this might not be the case.

Over the last five years a manager would be exceptional to outperform the index, going forward to get returns will be harder and therefore it will be as much about picking the right companies as avoiding the bad ones. Something an index can't do.

In our latest review we met with Michael Arends who is part of the investment team behind the Boston Company US Opportunities Fund. What interested me was the statement that the fund outperformed the index in 2015. Looking at the figures it did over double the index in 2015, slightly outperformed over 3 years and underperformed slightly over 5 years.

The argument is therefore if it has been able to slightly outperform over three years and an investor believes that active is the place to be moving forward then this is a fund to consider.

### **Update**

It is worth adding that the team are based in the US so much of the discussion with Michael was around the US outlook and how this looks from the ground.

Michael's view over the next 12 months is positive based on leading indicators. Unemployment rates are falling despite the fact that the energy sector has suffered significant job losses. The net wealth of the US consumer has also increased; in 2007 it was \$70 trillion and this dropped to \$55 trillion in 2008/2009, this has now risen to near \$90 trillion. At the same time debt as a liability to assets has dropped from 20% to 14%. This is a significant tailwind for the economy if the consumer starts spending.

We then turned to corporate earnings and Michael stressed this is important to see but the strong dollar has hampered this. But there is around \$2 trillion on company balance sheets which shows companies are not hampered by debt. Oil is a positive factor for many and this hasn't started to come through but in some sectors there are positive signs, car sales for example are at a 10 year high.

I asked Michael about the headlines behind a 75% collapse in share prices and he explained that it would mean that we would need to be in a 2007/2008 situation which was driven a financial collapse and he just doesn't believe we are in that position. There are risks particularly if a currency war broke out and this could pull down the financial system but he just doesn't see this happening.

He does believe with this backdrop the S&P500 is fair value and hence why the fund is positioned more towards the mid cap where he believes there is value and where he can drive performance above the index.

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The holdings are skewed towards Financial Services, Technology and Materials. It is also a concentrated portfolio of 40 stocks but the 10 top is only 32% of the fund so no one stock dominates the fund providing some downside protection.

In summary in speaking to Michael there is no specific thing about the fund which makes the process stand out. This is a stock pickers fund and however you dress up the process you have to believe this company can deliver. The fund hasn't significantly outperformed the index and this could deter investors. However, if you believe the tide is changing and that 2015 is a reflection of what could happen in the future then this fund is worth considering.

### Fund performance

Performance over the last five years (to 31 December 2015):

	2011	2012	2013	2014	2015
<b>Boston Company US Opportunities Fund</b>	-9.88%	9.52%	33.65%	13.70%	5.77%
<b>iShares MSCI North America</b>	-0.55%	5.15%	27.12%	18.81%	2.17%

Performance over 1, 3, and 5 years:

	1 year	3 years	5 years
<b>Boston Company US Opportunities Fund</b>	5.77%	60.74%	58.65%
<b>iShares MSCI North America</b>	2.17%	54.30%	61.34%

*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 The Boston Company and is correct as at January 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.*