

SHINING A LIGHT ON..... SLI GLOBAL FOCUSED STRATEGIES FUND

Update....

With uncertainty over bond returns moving forward, investors are naturally seeking alternative options. Standard Life (SLI) developed their Global Absolute Return Strategies Fund as an alternative investment for their staff pension scheme and then launched it as a retail fund in 2008. The Global Focused Strategies Fund has been developed by the same team but targets a gross return of libor plus 7.5% with increased volatility. It was launched in 2013 so is coming up to its 3rd year anniversary in December.

2015 was a strong year for the fund but some potential investors will be waiting for the three year figures to see if it can achieve its stated aims.

The three main strands of the fund are:

1. Broad investment freedom – the team adopt an unconstrained multi asset approach delivering a diverse portfolio
2. Risk controlled implementation – the team work across a range of market environments
3. Longer term investment views – the team work on a 2-year time horizon

There is naturally some overlap with the Global Absolute Return Strategy Fund but about 70% is unique to this fund. Some of the key themes are:

1. Subdued global recovery – examples of investments include Korean Government Bonds
2. US recovery – examples of investments include US Equity Tech vs US Small Cap
3. European recovery - examples of investments include European Dividends
4. Japan re-ignition – examples of investments include Japanese Equity Market vs Retailers
5. China rebalancing - examples of investments include Chinese Equity Consumers vs Infrastructure
6. Structural reform - examples of investments include Italian equity small cap
7. Equity Alpha - examples of investments include Global Emerging Market Winners vs South Africa Equity
8. Other - examples of investments include UK Housebuilders vs Retailers

Some of the best performers over the last twelve months include UK Equity Housebuilders and Chinese Equity Infrastructure. Some of the areas which were negative for the fund included FX Hedging and Global Equity Miners.

In all of this the key is to blend ideas to control risk. It is also about doing forward stress scenarios, so for example what would happen if a Chinese Hard Landing happened. What would the world look like and in this scenario markets would be expected to fall 30% plus. The fund as it stands would likely fall about 12%.

In summary for those seeking an alternative to bonds these funds could be a consideration but they are not bonds but have bond like volatility. Although there is a target return this is not guaranteed and investments can go up as well as down! Although the Global Absolute Return Strategies Fund has delivered on its target, investors may wish to wait three years before they make decisions as to whether this is a fund they may wish to invest in.

LWM Consultants Ltd

Fund performance

Performance since 11 December 2013 to 15 March 2016:

	2013	2014	2015	2016
SLI Global Focused Strategy Fund	1.55%	-1.01%	8.60%	-4.24%

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 SLI 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.