

**SHINING A LIGHT ON THE.....
SLI UK Equity Unconstrained Fund**

AT A GLANCE

Investment Objective	
<p>The investment objective of the Fund is to provide capital appreciation. It is intended that income will not be a prime consideration. The investment policy of the Fund is to invest primarily in equities and equity type investments of UK companies or companies which, in the opinion of the ACD, carry on a substantial part of their operations in the UK. "Equity type investments" will include convertible stocks, stock exchange listed warrants, Depositary Receipts and any other such investments which entitle the holder to subscribe for or convert into the equity of the company and / or where the share price performance is, in the opinion of the ACD, influenced significantly by the stock market performance of the company's ordinary shares. "UK companies" will include companies incorporated in the UK or companies listed on a UK stock exchange which may not be incorporated in the UK or have the majority of their economic activity in the UK.</p>	

Inception Date	29 September 2005
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F0GBR06MNV

Management	
Manager Name	Start Date
Wes McCoy	23 June 2015

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	9.36%
Large	20.50%
Medium	42.48%
Small	25.25%
Micro	2.40%

Top 10 Holdings		
Total number of holdings	44	
Assets in Top 10 Holdings	39.65	
Name	Sector	% of Assets
Sage Group	Technology	4.99%
Crest Nicholson Holdings	Consumer Cyclical	4.98%
Smith (DS)	Consumer Cyclical	4.74%
BT Group	Communication Services	4.26%
International Consolidated Airlines	Industrials	4.19%
Bodycote	Industrials	3.78%
Savills	Real Estate	3.22%
Legal & General	Financial Services	3.21%
Synthomer	Basic Materials	3.18%
Capita	Industrials	3.10%

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Volatility Measurements	
3-Yr Std Dev (volatility)	15.33%
3-Yr Mean Return (average)	4.19%

FUND PERFORMANCE

Performance from 1 January 2012 to 31 August 2016:

	2012	2013	2014	2015	2016
SLI UK Equity Unconstrained Fund	45.87%	44.93%	0.85%	9.48%	-7.76%
Lyxor ETF FTSE All Share	11.67%	20.16%	0.93%	1.08%	9.77%

Performance over 1 year, 3 years, and 5 years.

	1 year	3 years	5 years
SLI UK Equity Unconstrained Fund	-9.29%	12.91%	105.27%
Lyxor ETF FTSE All Share	11.88%	19.21%	55.27%

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....

The fund has had a difficult 12 months and this may discourage investors. However, over the long term its track record has been excellent. It is worth adding that the management changed in 2015 after the previous manager left. The new manager previously set up the strategy and then left, and has now returned!

We started by explaining that the BREXIT vote had a profound impact on how certain things should be viewed. Sterling has seen a sharp fall and UK domestic companies have also suffered. The fund itself has around 40% focused on UK domestic companies.

These bumps in the road are not unusual and have been seen before in 2008/09, 2011 and now 2016. What they do in all these cases is go through the stocks and challenge whether the thesis for holding them still holds, after whatever event has happened.

Three examples that he gave were Crest Nicholson, Rightmove and ITV. Crest Nicholson is directly connected with the housebuilding sector, and the share price dropped significantly post-vote. Their view was that the fundamentals had remained, and since then the price has rebounded. Rightmove suffered the same fate due to its connection with property and its shares dropped nearly 35%. But it is the leading portal for searching for new houses and once the dust had settled the prices rebounded to the level they were at before the vote.

ITV dropped over 30% because of the domestic focus but again has rebounded. These examples show the positive side but not everything passed the test; Capita as an example is a company where they feel it will be challenged moving forward and they have looked to reduce and remove the holding.

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Although the fund suffered in the aftermath of the vote, the fall in share prices which impacted the performance also provided opportunities to buy into companies that had become expensive and are now cheap! An example of a new holding was Howden Joinery.

In the last couple of months, a mixture of holding onto the good companies, and taking advantage of market dislocation has meant that the fund has had a strong rally but it does remain down for the year.

In summary the fund has had a difficult twelve months and this has impacted short term performance. It is very difficult to judge the new manager as he has come on board at a time where the markets have been against him. We saw sharp corrections in August 2015, January 2016 and June 2016. He has had to navigate through this time. In the short term we have seen that he has been able to take advantage of these periods particularly the BREXIT vote but potential investors will need to consider whether he can take over what was an excellent franchise and continue with this moving forward. This may mean waiting for 2 to 3 years before deciding whether this is a fund to invest in.

The source of information in this note has been provided by Standard Life 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.