# SHINING A LIGHT ON THE……
# Schroder Global Recovery Fund

**AT A GLANCE**

| **Investment Objective** |
|---|
| At least two-thirds of the Fund's assets (excluding cash) will invest in equity and equity related securities of companies worldwide that have suffered a severe setback in either share price or profitability, but where long term prospects are believed to be good. The Investment Manager will invest in a select portfolio of securities and will not be restricted by size or sector. The Fund may invest directly in China B-Shares and China H-Shares and may invest up to 10% of its assets in China A-Shares through Shanghai-Hong Kong Stock Connect. |

| | |
|---|---|
| **Inception Date** | 9 October 2013 |
| **Fund Factsheet Link** | http://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000QJ23 |

| **Management** | |
|---|---|
| **Manager Name** | **Start Date** |
| Nick Kirrage | 9 October 2013 |
| Kevin Murphy | 9 October 2013 |
| Andrew Lyddon | 9 October 2013 |

| **Investment Style Details** | |
|---|---|
| **Equity Style** | |
| **Market Capitalisation** | **% of Equity** |
| Giant | 21.34% |
| Large | 19.15% |
| Medium | 22.69% |
| Small | 22.60% |
| Micro | 14.21% |

| **Top 10 Holdings** | | |
|---|---|---|
| **Total number of holdings** | 45 | |
| **Assets in Top 10 Holdings** | 34.76% | |
| **Name** | **Sector** | **% of Assets** |
| Citigroup Inc | Financial Services | 4.22% |
| Royal Bank of Scotland Group (The) PLC | Financial Services | 4.04% |
| Barclays PLC | Financial Services | 4.02% |
| American International Group Inc | Financial Services | 3.51% |
| Bridgepoint Education Inc | Consumer Defensive | 3.40% |
| Apollo Education Group Inc Class A | Consumer Defensive | 3.36% |
| DeVry Education Group Inc | Consumer Defensive | 3.13% |
| Coface SA | Financial Services | 3.05% |
| HSBC Holdings PLC | Financial Services | 3.05% |
| Staples Inc | Consumer Cyclical | 3.00% |

| Volatility Measurements | |
|---|---|
| **3-Yr Std Dev (volatility)** | 14.27% |
| **3-Yr Mean Return (average)** | -0.08% |

**FUND PERFORMANCE**

Performance from 9 October 2013 to 28 February 2017:

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| **Schroder ISF Global Recovery Fund** | 6.99% | 12.03% | -17.22% | 13.92% | 1.15% |
| **iShares MSCI World Dis** | 5.36% | 10.53% | 1.85% | 26.88% | 3.97% |

Performance over 12 months, 3 years and since launch:

| | 1 year | 3 years | Since Launch |
|---|---|---|---|
| **Schroder ISF Global Recovery Fund** | 23.09% | -0.08% | 14.33% |
| **iShares MSCI World Dis** | 32.40% | 14.13% | 56.48% |

*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….**

This fund was launched in 2013 and Nick will freely admit it was not the best time to launch it. It is a deep value strategy which has been out of favour for a number of years. He believes that growth stocks are coming to the end of their cycle and there is enormous potential for value. For some of the stocks this is the most discounted he has seen for 30 or 40 years. Although there has been a bounce in ‘value stocks’ it has been for 6 months with the average rally being 27 months, so if the bounce is over it would have been the shortest value rally ever and he doesn’t believe this is the case.

For investors, there is $1 trillion in global funds but 89% of those are in growth strategy, there are very few value strategies left. Nick also explained that the strategy is run in the same way as the UK and European strategies, but there is little overlap in terms of holdings between them. The deepest value is sectors including banks, basic materials, oil and gas and utilities. He added that banks and basic materials have become more expensive recently but still represent significant value.

Only about 10% of their time is focused on ideas; the other 90% is focused on analysis and risk management. They are looking at businesses over a five-year time frame. There are different factors that they consider, that lead to how they value a business and what they think the price of that business should be. One key area to consider is ‘off balance sheet risk’ like pension schemes which can impact future profits.

Banking makes up a big part of the fund. Nick explained this is one of the cheapest sectors in the world. It is now 8 years since the downturn, and 9 years since Lehman’s. The banking sector has been de-risking for 9 years and the levels of capital are as high as they have been for 50 years. RBS is a company that is misunderstood, for example it has removed £300 billion risk rated assets in investment banking since 2008.

Nick believes there are not many businesses as strong as global banks. He has recently sold exposure to Microsoft which has seen an 80% return over 3 years. Anglo American has seen a dramatic movement in share price which has seen them purchase at £7.63 down to £2.93. As the price corrected they have sold some of the stock as the risk is too high. They believe the share price could be as high as £20 a share so they continue to hold in the portfolio.

In turns of style they would see it as one for the patient investor with a long-term time horizon. Nick argues this could suit someone setting up a Junior Isa with an 18-year time frame (or more), or someone who is 60 who could have 30 years in “retirement”. It has been a tough time but Anglo American demonstrates how they are happy to purchase in the downturn.

Risk is a big part of the fund and if a stock carries higher risk, they will have around a 1 to 2% initial holding, for lower risk 3 to 4%.

In summary, in terms of performance it hasn’t got the track record the other funds have. However, if you believe in deep value investing then this might be a perfect time to invest. It is a fund where investors need to be prepared to leave it and wait.