

SHINING A LIGHT ON THE.....
Standard Life UK Equity Recovery Fund

AT A GLANCE

Investment Objective	
<p>The 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 mostly 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	3 rd March 2009
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F000002KQ8

Management	
Manager Name	Start Date
Andrew Hunt	3 rd March 2009

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	2.93%
Large	10.81%
Medium	12.70%
Small	35.52%
Micro	38.03%

Top 10 Holdings		
Total number of holdings	49	
Assets in Top 10 Holdings	31.11%	
Name	Sector	% of Assets
Accrol Group Holdings PLC	Consumer Discretionary	4.17%
Petrofac Ltd	Energy	3.49%
Safestyle UK PLC	Consumer Cyclical	3.27%
Saga PLC	Financial Services	3.04%
Standard Chartered PLC	Financial Services	3.02%
Go-Ahead Group (The) PLC	Industrials	2.99%
Babcock International Group PLC	Industrials	2.97%
Thomas Cook Group PLC	Consumer Cyclical	2.94%
Lamprell PLC	Energy	2.66%
Nostrum Oil & Gas PLC	Energy	2.56%

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Volatility Measurements	
3-Yr Std Dev (volatility)	20.60%
3-Yr Mean Return (average)	18.97%

FUND PERFORMANCE

Performance from 1st January 2013 to 31st August 2018:

	2013	2014	2015	2016	2017	2018
SLI UK Equity Recovery Fund	31.60%	-2.74%	-6.35%	51.69%	11.54%	-0.65%
Lyxor FTSE All Share ETF	20.16%	0.93%	1.08%	15.44%	11.64%	3.31%

Performance over 12 months, 3 years, 5 years and since launch:

	1 year	3 years	5 years	Since launch
SLI UK Equity Recovery Fund	1.13%	58.53%	65.70%	423.81%
Lyxor FTSE All Share ETF	5.29%	34.28%	43.80%	201.99%

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 was our first introduction to the fund. We started by discussing the UK and Andrew felt that the attraction of the UK is the fact that it is universally disliked, and this opens up opportunities. There is so much conjecture over the outcome of Brexit and the reality is that the economy will adapt and find a way to work around whatever the outcome.

His approach is unconstrained deep value; this means he likes to invest in those stocks which everyone hates. The process is about looking at a company and working out what it is worth and then buying on the way down so effectively buying as the price falls. When the up turn comes then they can look to sell. A good example of this is Accrol who make toilet rolls; he started buying at 50p and as low as 7p. The current share price is 25p and the stock has made money for the fund.

Andrew went on to explain this fund is the exact opposite of the Standard Life Smaller Companies Fund. This fund is about Cinderella investing, enjoying the party and leaving just before 12. For Andrew it is about picking up those stocks that have become unloved and ignored. Andrew explained this is never going to be a smooth ride and there can be periods where there is negative performance followed by significant upside.

This is because often when stocks have recovered he will sell out and therefore be waiting for the next big winners to come through. We talked about where the fund is today and he feels that there are several stocks just waiting to be recognised by the market and when this happens it will benefit the fund.

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Andrew has been following this style of investment since 2001 and became lead manager of the fund in 2017. The fund is agnostic to sectors and company size but does tend to play more in the small and mid-cap space by default. He is happy to hold anything from 30 to 70 stocks depending on the opportunities that are out there.

In terms of performance as Andrew indicated this can be tidal and he can be top of the tree for two years and back down to bottom. Over 3 years the fund is 6th in the All Companies Sector and 29 over 5 years. In terms of stock risk Andrew explained that every time they buy on the way down they revisit the arguments for holding the stock and assuming nothing has changed they will buy more. If things have changed they will either hold the position or sell.

In conclusion, this fund will not appeal to all investors due to its volatile nature. However, for those prepared to sit and wait it has shown over time it can significantly outperform the benchmark.

The source of information in this note has been provided by Standard Life and is correct as at September 2018. 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.