

**SHINING A LIGHT ON THE.....  
Jupiter Absolute Return Fund**

**AT A GLANCE**

<b>Investment Objective</b>		
The Fund seeks to generate absolute return over a 3 year rolling period, independent of market conditions, by investing on a global basis. Capital invested in the Fund is at risk and there is no guarantee that the investment objective will be achieved over the 3 year rolling periods or in respect of any other time period.		
<b>Inception Date</b>	14/12/2009	
<b>Fund Factsheet Link</b>	<a href="http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F000005J71">http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F000005J71</a>	
<b>Management</b>		
<b>Manager Name</b>	<b>Start Date</b>	
James Clunie	01/09/2013	
<b>Investment Style Details</b>		
<b>Equity Style</b>		
<b>Market Capitalisation</b>	<b>% of Equity</b>	
Giant	33.23%	
Large	21.44%	
Medium	32.38%	
Small	10.05%	
Micro	2.90%	
<b>Top 10 Holdings</b>		
<b>Total number of holdings</b>	218	
<b>Assets in Top 10 Holdings</b>	36.22%	
<b>Name</b>	<b>Sector</b>	<b>% of Assets</b>
United Kingdom of Great Britain and Northern Ireland 4.5%	-	5.43%
United Kingdom of Great Britain and Northern Ireland 4.75%	-	5.29%
United Kingdom of Great Britain and Northern Ireland 1.75%	-	4.98%
United Kingdom of Great Britain and Northern Ireland 3.75%	-	4.80%
ETFS Physical Gold	-	3.58%
BP PLC	Utilities	3.30%
United States Treasury Notes 2.75%	-	2.98%
Burford Capital Ltd	Financial Services	2.29%
Centrica PLC	Utilities	1.99%
Serco Group PLC	Industrials	1.58%
<b>Volatility Measurements</b>		
<b>3-Yr Std Dev (volatility)</b>	5.62%	
<b>3-Yr Mean Return (average)</b>	0.53%	

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## FUND PERFORMANCE

Performance from 1<sup>st</sup> January 2013 to 30th September 2018:

	2013	2014	2015	2016	2017	2018
<b>Jupiter Absolute Return Fund</b>	2.25%	-0.09%	6.01%	10.23%	-2.57%	-2.28%
<b>Vanguard Global Bond Index</b>	-0.13%	7.97%	1.25%	3.51%	2.00%	-1.16%

Performance over 12 months, 3 years, 5 years and since fund manager inception (1/9/2013):

	1 year	3 years	5 years	Since fund manager inception
<b>Jupiter Absolute Return Fund</b>	-3.55%	3.07%	13.22%	13.01%
<b>Vanguard Global Bond Index</b>	-0.68%	4.41%	14.41%	15.33%

*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....

Primarily this fund aims to deliver a positive return over a three-year period. There is no specific target return, but the manager has indicated that he would like to achieve a return of 5 to 6% p.a. over this period. For the last two years the fund has been losing money and much of the meeting was spent discussing the reasons for this.

The fund is made up of long value / short growth stocks. Value as an investment style that has been out of fashion for about 10 years and therefore this style is out of favour. This has obviously hurt performance for the fund. The second factor impacting performance is change and the third is a rotation in the market from growth to value (interconnected with the first point).

The US is where James sees overvalued stocks and so this is where he is shorting. There are value stocks (so those with okay balance sheets but out of favour) in countries like the UK, Russia and Japan and these are his long strategies. The types of companies in the UK that he likes are BP, BHP and Esure. These are improving businesses and the market is over concerned. A good example of a long / short strategy is Kingfisher as a long strategy (UK) vs Home Depo in the US. Kingfisher is unloved and cheap; Home Depo in the US has the same problems if not worse and yet is expensive and this will reverse.

Other companies he is shorting in the US are Netflix, Tesla and Wayfair, all of which have liabilities which exceed current assets and have a negative cash flow. For Wayfair the expenses exceed the money coming in and yet the shares keep going up. Micron and Nvidia are cyclical tech stocks which seem to be performing in the opposite way they should. Micron has recently seen its share price fall 30%.

Although it is uncomfortable he is increasing positions and buying in at what he sees as the madness. He is constantly testing his process and if factors change then he will sell down a position. In terms of

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changes then a change in the market could benefit the fund and there are plenty of candidates for that; for example, trade wars/tariffs, Brexit, QT/ rising rates, geo political risks etc. Normally we would see a rotation from growth to value when economic growth is there, and it is, so when this happens this will also benefit the fund. Other factors could be corporate scandal, for example the bankruptcy of a glamour stock like Netflix or Tesla.

James feels there are plenty of opportunities and these will happen and turn in favour of the fund. He just doesn't know when.

In summary, this is a well-managed fund, but the strategy has been out of favour for some time. For those who believe that there will be a rotation to value, and that there will be some change in the market then this fund may well act as a good defensive strategy.

*The source of information in this note has been provided by Jupiter and is correct as at October 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.*