

SHINING A LIGHT ON THE.....

Atlantic House Fund Management Defined Returns Fund

AT A GLANCE

Investment Objective	
The investment objective of the Fund is to generate capital growth over the medium to longer term.	

Inception Date	4 th November 2013
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F00000T120

Management	
Manager Name	Start Date
Tom May and Dr Russ Bubley	4 th November 2013

Top 10 Holdings		
Total number of holdings	1128	
Assets in Top 10 Holdings	85.75%	
Name	Sector	% of Assets
United Kingdom of Great Britain and N...	-	24.87%
United Kingdom of Great Britain and N...	-	24.40%
United Kingdom of Great Britain and N...	-	11.46%
United Kingdom of Great Britain and N...	-	11.33%
United Kingdom of Great Britain and N...	-	3.60%
United Kingdom of Great Britain and N...	-	2.47%
Investec Bank plc 0%	-	2.21%
United Kingdom of Great Britain and N...	-	2.04%
Citigroup Global Markets Funding Luxe	-	1.72%
Royal Bank of Canada 1.71%	-	1.65%

Volatility Measurements	
3-Yr Std Dev (volatility)	10.35%
3-Yr Mean Return (average)	1.98%

FUND PERFORMANCE

Performance from 1 January 2014 to 29 February 2020:

	2014	2015	2016	2017	2018	2019	2020
AHFM Defined Returns Fund	3.30%	4.36%	11.80%	10.25%	-1.99%	16.98%	-11.61%
Vanguard Global Bond Index	7.97%	1.25%	3.51%	2.00%	-0.11%	6.63%	2.67%

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Performance over 12 months, 3 years and since launch:

	1 year	3 years (p.a.)	Since launch (p.a.)
AHFM Defined Returns Fund	-7.41%	1.98%	4.83%
Vanguard Global Bond Index	6.60%	3.41%	3.57%

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....

These updates have been written at the time of the Coronavirus Pandemic of 2020, which has impacted the global financial markets in a way that has never been seen before.

We had an update about a month ago when the fund had dropped over 35%. At the time the manager outlined the different possibilities of returns over the next few months. Since then the fund has recovered significantly and was down -11.61% at the end of April.

The fund is designed so that the team can see where the negative returns have come from. In the recent falls the negative returns came from both markets and volatility. On the upside the fund has benefited from the recovery in markets, expected dividends and rates.

In terms of the holdings, if nothing happens from this point the portfolio will go up 44.42% and that will take 4.10% years to achieve. If markets go down -10% then the return will be 32.96% over 4.12 years and if markets go down -20% then there will be a negative return of -11.47% over 4.12 years.

If markets go up 20% then the return will be 28.79% over 1.86 years.

It is worth remembering what the fund aims to do and how it is structured, and it is this that enables the managers to model potential outcomes:

“The fund aims to achieve an annualised return of between 7-8%, over the medium to long term, in anything but the bleakest of markets. We indicated in the last review that the concept of the fund is simple. It is a series of structured products which “kick out” (pay out) and this over time delivers the positive return. The managers explained that they do the messy stuff and investors get the return.

Breaking it down further (and this is where we would recommend anyone considering this seeks financial advice), the managers use a series of autocalls (structured products). They structure their own product by using options directly and holding gilts as collateral. This means they cut the banks out of the loop and achieve the potentially higher return they are targeting.

It is important to stress that the return is not guaranteed, and the fund has not been tested in a 2001 or 2008 scenario. Any potential investors need to consider these factors. “

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In summary, the update really supported what was said at the last discussion and demonstrated that the fund has been able to recover as markets recover. If the long-term view is that the FTSE will rise, then this fund will benefit from that, but if the view is that markets will go down then there will a point where the returns remain negative.

The source of information in this note has been provided by Atlantic House and is correct as at May 2020. 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.