SHINING A LIGHT ON THE……
NinetyOne UK Special Situations Fund

AT A GLANCE

Investment Objective
The Fund aims to provide a combination of income and long term capital growth, primarily through application of a contrarian approach to investment in UK equities and in derivatives the underlying assets of which are UK equities.

Inception Date	1st August 2002
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F0GBR04RO4

Management	
Manager Name	**Start Date**
Alastair Mundy	1st August 2002

Investment Style Details	
Equity Style	
Market Capitalisation	**% of Equity**
Giant	17.11%
Large	26.11%
Medium	22.68%
Small	28.39%
Micro	5.70%

Top 10 Holdings		
Total number of holdings	50	
Assets in Top 10 Holdings	43.65%	
Name	**Sector**	**% of Assets**
Capita PLC	Industrials	7.17%
Travis Perkins PLC	Industrials	6.20%
Grafton Group PLC	Industrials	4.88%
Tesco PLC	Consumer Defensive	4.48%
Barclays PLC	Financial Services	3.92%
GlaxoSmithKline PLC	Healthcare	3.77%
The Royal Bank of Scotland Group PLC	Financial Services	3.54%
Royal Dutch Shell PLC B	Utilities	3.41%
Citigroup Inc	Financial Services	3.16%
BP PLC	Utilities	3.12%

Volatility Measurements	
3-Yr Std Dev (volatility)	21.44%
3-Yr Mean Return (average)	-10.10%

FUND PERFORMANCE

Performance from 1st January 2014 to 31st March 2020:

	2014	2015	2016	2017	2018	2019	2020
NinetyOne UK Special Situations Fund	-0.44%	-1.20%	17.37%	5.16%	-10.27%	28.66%	-39.23%
FTSE UK All Share Index	1.18%	0.98%	16.75%	13.10%	-9.47%	19.17%	-25.13%

Performance over 12 months, 3 years, 5 years and since fund manager inception:

	1 year	3 years	5 years	Since fund manager inception
NinetyOne UK Special Situations Fund	-31.09%	-27.35%	-18.59%	198.22%
FTSE UK All Share Index	-18.45%	-12.19%	2.89%	185.19%

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 update has 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.**

This fund is a value strategy looking for good companies at depressed prices. Alastair Mundy is one of the leading managers in this area of investments. Investment cycles go through periods where value is in favour, but this has not been the case for many years. Alastair explained that there are perhaps two reasons for this: - firstly this has been a low interest rate environment which has favoured growth stocks, and secondly we haven't had the normal boom and bust cycles.

The fund has suffered in this current environment and is down nearly 40% but Alastair explained that some quality is still expensive. In this environment there are very good opportunities, and potentially when good news comes it could benefit these companies. He thinks it is very hard to guess when markets will recover. There is an end, there will be economic growth and at some point, in the future these companies will come back. The question is, which companies will survive.

He remains positive about housebuilders and believes they have the cash to weather the storm. In terms of retailers, Next are mainly an online retailer now and it is likely the stores will change in the future. Marks and Spencers is now about the food side and it is likely the clothes will go online, and Dixons remains a showroom for products. Holdings like Tescos and M&S have held up well in this market.

However, the banks have suffered, and this might be to do with the low interest rate environment which he felt had already been priced into the market. It might be to do with the cut in dividends or it could be a fear of a repeat of 2008. The reality is that the banks have not been better capitalised, and it is the banks that will step in to help companies survive this crisis.

We discussed whether the fund could look like a quality fund of say two years ago, in the future. By this I was talking about the depressed value of companies like EasyJet etc. Alastair explained there are really good companies like EasyJet that have suffered because their business has stopped overnight. There will be winners in this environment, and so it could be that what was a quality company two years ago now falls into the value bucket, and so the make up could be part of the portfolio. The argument is that if someone was prepared to pay for something a few years ago, and that comes back, then they will pay again.

In summary, the fund has struggled in recent years and now we come into a perfect storm for the fund with plenty of opportunities. Alastair is careful not to call the market, but he knows there will be an end. If this market provides quality companies at beaten up prices, then he sees that as an opportunity and potentially this is where future outperformance will come. It will be interesting to see how (or if) the holdings change in the next 12 months or 3 years.