

**SHINING A LIGHT ON THE.....
Merian UK Alpha Fund**

AT A GLANCE

Investment Objective
To achieve capital growth. In seeking to achieve its investment objective the fund will aim to deliver a return, net of fees, greater than that of the FTSE All-Share Index over rolling 3 year periods. The fund primarily invests (at least 70%) in a portfolio of UK equities. UK equities are equities of companies domiciled or incorporated in the UK, or that conduct a significant part of their business in the UK.

Inception Date	31 st January 2003
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F000010FGD

Management	
Manager Name	Start Date
Richard Buxton	11 th December 2009

FUND PERFORMANCE

Performance from 1st January 2015 to 30th September 2020:

	2015	2016	2017	2018	2019	2020
Merian UK Alpha Fund	-2.18%	12.66%	14.16%	-11.18%	23.11%	-23.85%
FTSE All Share	0.98%	16.75%	13.10%	-9.47%	19.17%	-19.92%

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

	1 year	3 years	5 years	Since fund manager inception
Merian UK Alpha Fund	-19.01%	-13.18%	12.93%	95.98%
FTSE All Share	-16.72%	-9.33%	18.57%	80.57%

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.

Tracking Error	Active Share Class	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
5.55	67.76	103.38	109.31	47.22	1.18	-0.34	Mid/Value

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Volatility Measurements	
3-Yr Std Dev (volatility)	18.04%
3-Yr Mean Return (average)	-4.60%

Investment Style Details	
Giant	16.57%
Large	34.24%
Medium	36.28%
Small	12.91%
Micro	0.00%

Top 5 Holdings – 33 holdings, 46% in top 10 holdings		
Pets at Home Group PLC	Consumer Cyclical	5.63%
AstraZeneca PLC	Healthcare	5.41%
GlaxoSmithKline PLC	Healthcare	4.89%
GVC Holdings PLC	Consumer Cyclical	4.88%
Sage Group (The) PLC	Technology	4.47%

Top 5 Sectors	
Consumer Cyclical	28.08%
Financial Services	13.59%
Healthcare	13.24%
Industrials	10.23%
Technology	9.47%

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.

This was our first introduction to the strategy. Richard Buxton has a very good reputation within the industry. However, although since launch the strategy has outperformed the index marginally over short periods, the fund has basically tracked or underperformed. On the upside the fund marginally outperforms but there is no protection on the downside. The volatility is also high compared to the benchmark and investors are not being rewarded for this. The batting average is also worth looking at and this is below 50. This means the management are getting less right than wrong.

If we look further at the fund, there is value tilt and this is the part of the market that is unloved. If you consider Barclays who are reporting positive data, the market continues to value them down. To Richard this makes no sense. We had a feeling that Richard wanted to take up the rights issue with IAG, but this was overruled. He feels the level of cash burn is less than the market is anticipating. He has strong confidence in the management and feels that this will be seen by the market and will be a catalyst for change in the share price.

Next and Pets at Home have been two good performers for the fund, and they have participated in the Hut Group IPO. They held the Hut Group within the investment trust and know the management team well. In terms of poor performers, these have been financials and travel / leisure related stocks.

The team believe now is not the time to abandon these poor performing businesses and that these businesses will come back. The key is to be patient and hold onto these value opportunities.

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In summary, the fund has underperformed, and it is in the part of the market that has been beaten up by the recent market downturn. It is hard to see what catalyst will provide significant long-term upside, or whether there might a sharp re-rating. Investors who know Richard Buxton and believe that the fund is in the best part of the market to benefit from an up turn when it comes may see this as an opportunity compared to some of the funds which have done well in the recent market.

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