

**SHINING A LIGHT ON THE.....
JOHCM UK Dynamic Fund**

AT A GLANCE

Investment Objective
The fund's investment objective is to achieve capital growth over a rolling seven to ten year period as well as providing income. The fund's target is to have a return greater than the FTSE All-Share Total Return index (12pm adjusted), which is used in the calculation of performance fees. At least 90% of the fund is invested in the shares of companies listed on either of the two primary markets of the London Stock Exchange: the Main Market (FTSE) and the Alternative Investment Market (AIM). At all times at least 75% of the fund is invested in the shares of companies that are domiciled, incorporated or have a significant portion of their business in the UK.

Inception Date	16 th June 2018
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000QK4R

Management	
Manager Name	Start Date
Alex Savvides	16 th June 2018

FUND PERFORMANCE

Performance from 1st January 2015 to 31st January 2021:

	2015	2016	2017	2018	2019	2020	2021
JOHCM UK Dynamic Fund	-0.06%	21.13%	15.38%	-10.73%	20.25%	-18.05%	0.12%
FTSE All Share	0.98%	16.75%	13.10%	-9.47%	19.17%	-9.82%	-0.81%

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

	1 year	3 years	5 years	Since launch
JOHCM UK Dynamic Fund	-13.90%	-11.41%	29.30%	-16.79%
FTSE All Share	-7.55%	-1.60%	31.47%	-5.17%

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.

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Tracking Error	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
8.27	78.63	111.93	124.53	47.22	1.35	-1.80	Mid/Value

Volatility Measurements	
3-Yr Std Dev (volatility)	23.00%
3-Yr Mean Return (average)	-3.96%

Investment Style Details	
Giant	13.61%
Large	23.71%
Medium	28.98%
Small	21.99%
Micro	3.93%

Top 5 Holdings – 40 Equity Holdings		
Anglo American PLC	Basic Materials	5.01%
3i Ord	-	4.89%
Daily Mail and General Trust PLC...	Communication Services	4.81%
Aviva PLC	Financial Services	4.65%
GlaxoSmithKline PLC	Healthcare	4.41%

Top 5 Sectors	
Communication Services	19.85%
Financial Services	19.25%
Industrials	16.37%
Consumer Defensive	11.40%
Healthcare	8.95%

UPDATE....

The fund, by the admission of manager, has had a really tough time. Interestingly, considering a really poor period he has outperformed the overall markets 60% of the time, and in rising markets has outperformed 83% of the time.

2020 would suggest that much of the underperformance was due to stock selection, whereas Alex argues this was more to do with factor exposure. The fund was exposed to four out of five of the worst factors – beta, size, earnings yield and volatility. It is very rare for them to be down across every sector, but this was what happened, and as a result they saw around £500 million of outflows from the fund.

Some of the sell-off was correct in terms of those which were deemed as COVID losers but other companies like supermarkets were clear beneficiaries and yet didn't hold up well. Q4 in 2020 was better for the fund as they benefited by a rebound in some of the COVID stocks and M&A activity.

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They feel more positive coming into 2021 and have several good news stories which they believe will be picked up by the market. Aviva for example has a new CEO and is in the process of selling off parts of the company which will make it more efficient moving forward. Aggreko has been steadily reducing debt and recently announced a carbon strategy.

There are challenges, for example, with companies like Restaurant Group, and they need to work with those companies especially as the UK comes out of lockdown.

Alex also explained that the fund is more than a value play. They are looking for management and strategic change to drive a revision on share price. These changes need to come across in the organisation. They are also looking for those hidden quality characteristics like a fresh strategic insight, superior capitalisation, active balance sheet management and investment for growth.

One thing that Alex explained to push this point forward was that simplifying a business is not negative. As businesses evolve they can become complex. By selling parts of the business and investing wisely this can benefit a business and make it more sustainable for the future. This is often missed by the market until after the changes have happened.

There was also a discussion around ESG, and this is clearly an area that is evolving, but clearly if a business is to change then the culture within the business needs to change and that often falls into the ESG area. It is therefore more about the outcome of change. They are actively engaging with companies and will continue to do so.

Moving forward they have made some tweaks and the fund is now looking to invest in 40 names with the aim to gain deeper knowledge of those names, create greater impact, provide more differentiation, lower volatility and as a natural outcome better performance. This will be more about cherry picking the best companies, and within the current portfolio they believe there is now significant value.

In summary, Alex has built up an excellent reputation which is demonstrated in his outperformance in rising markets. Clearly 2020 was difficult for the strategy and this has impacted performance. There have been significant outflows but this seems to have slowed. The primary focus of the fund and strategy has not changed although Alex has tweaked some areas to provide a more focused strategy which he believes will make the strategy more future fit.

The source of information in this note has been provided by JOHCM and is correct as at February 2021. 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.