

**SHINING A LIGHT ON THE.....
Ninety-One UK Special Situations Fund**

AT A GLANCE

Investment Objective
The Fund aims to provide capital growth (to grow the value of your investment) and income over at least 5 years. The Fund invests primarily (at least two-thirds) in the shares of UK companies (those incorporated in, domiciled in, or that have significant economic exposure to, the UK) and in related derivatives (financial contracts whose value is linked to the price of the shares of such UK companies).

Inception Date	31 st December 1985
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F0GBR04RO4

Management	
Manager Name	Start Date
Alessandro Dicorrado	17 th April 2020
Steve Woolley	17 th April 2020

FUND PERFORMANCE

Performance from 1st January 2016 to 30th April 2021:

	2016	2017	2018	2019	2020	2021
Ninety-One UK Special Situations Fund	17.37%	5.16%	-10.27%	28.66%	-15.17%	14.21%
FTSE All Share	16.75%	13.10%	-9.47%	19.17%	-9.82%	9.70%

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

	1 year	3 years	5 years	Since Launch
Ninety-One UK Special Situations Fund	44.39%	11.42%	34.60%	5,160.22%
FTSE All Share	25.95%	7.68%	39.92%	2,033.97%

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	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
15.78	81.15	152.23	152.35	50.00	1.69	1.44	Value/Mid

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Volatility Measurements	
3-Yr Std Dev (volatility)	29.59%
3-Yr Mean Return (average)	3.67%

Investment Style Details	
Giant	12.23%
Large	28.17%
Medium	48.18%
Small	11.10%
Micro	0.00%

Top 5 Holdings (48 holdings)		
Grafton Group PLC Shs	Industrials	4.56%
Gamesys Group PLC	Consumer Cyclical	4.52%
Travis Perkins PLC	Industrials	4.43%
easyJet PLC	Industrials	4.13%
NatWest Group PLC	Financial Services	3.69%

Top 5 Sectors	
Industrials	32.36%
Consumer Cyclical	26.75%
Financial Services	16.05%
Consumer Defensive	8.18%
Energy	6.90%

UPDATE....

We spoke to the previous manager at the height of the stock market crash last year, shortly after he retired from the industry. Value investing has gone through a difficult period especially over the last couple of years and many questions are being asked as to whether it can come back. The team that manages the global strategy have taken this on and they believe they have a different approach to other strategies in the market.

They believe:

1. Markets extrapolate both good and bad news; investors rely on processed information rather than obtaining it from the source, and therefore overreact
2. Investor behavioural biases can create investment opportunities that have positively skewed payoffs
3. Pragmatism and nimbleness are important: exploitable opportunities arise in different parts of the market over time
4. Their long term, contrarian stance, independent thinking, and deep fundamental research leads them to uncover mispriced attractive businesses
5. They can exploit inefficiencies by investing in sustainable businesses with potential for earnings recovery or rerating, trading at a significant discount to their estimate of intrinsic value

They believe strongly in the quote from James Grant, "successful investing is about having other people agree with you....later", and use the example of Next, which investors are now waking up to.

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They believe that their approach is different because they operate “buckets”:

Fallen Angeles – these are often old market darlings; they have often had a large but non-fatal blow and they are compounders at a cheap price. Examples would be Tesco, easyJet and Next

Cyclical leaders – industrials and financials, industry down-turn and opportunity to buy the best. Examples would be Lloyds Banking and Travis Perkins

Special situations – this includes turnarounds, spin-offs, post-bankruptcies, re-capitalisations and overly simplistic ESG. Example would be Rolls Royce

Hidden assets – these cannot be “computerised” and often non categorized. Example would be Capita

Deep value – these are mediocre businesses at very attractive prices. Examples would be Natwest and Barclays

The largest and longest weightings tend to be in fallen angels and smallest and shortest in deep value.

In terms of recent activity, they have purchased Prudential, Sprouts Farmers Market and TI Fluid Systems and sold Baidu, Headlam, South32, Standard Chartered and Tesco.

In summary, the team run two strategies and both have the same style, and what makes them different to other value fund managers is that believe value goes across different areas and this is a blend of this. The last two years have been difficult for the strategy, however, they see a turning point and that is reflected in the performance this year.

The source of information in this note has been provided by Ninety-One and is correct as at May 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.