SHINING A LIGHT ON THE……
Man GLG Undervalued Assets Fund

AT A GLANCE

Investment Objective
The objective of the Fund is to outperform (net of fees) the FTSE All-Share Total Return (NDTR) Index over the long-term (over 5 year rolling periods).

Inception Date	15th November 2013
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000QU2P

Management	
Manager Name	**Start Date**
Henry Dixon	15th November 2013

FUND PERFORMANCE

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

	2016	**2017**	**2018**	**2019**	**2020**	**2021**
Man GLG Undervalued Assets Fund	5.32%	30.29%	-11.50%	19.33%	-15.97%	11.18%
FTSE All Share	16.75%	13.10%	-9.47%	19.17%	-9.82%	11.09%

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

	1 year	**3 years**	**5 years**	**Since fund manager inception**
Man GLG Undervalued Assets Fund	27.14%	-3.74%	48.85%	62.90%
FTSE All Share	21.45%	6.28%	36.86%	48.62%

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**
10.88	67.94	123.87	140.80	47.22	1.46	-2.81	Mid/Value

Volatility Measurements	
3-Yr Std Dev (volatility)	24.89%
3-Yr Mean Return (average)	-1.26%

Investment Style Details	
Giant	24.24%
Large	19.59%
Medium	33.89%
Small	14.66%
Micro	3.26%

Top 5 Holdings – 64 Equity Holdings		
Royal Dutch Shell PLC B	Energy	4.66%
BP PLC	Energy	4.51%
Royal Dutch Shell PLC Class A	Energy	3.95%
British American Tobacco PLC	Consumer Defensive	3.14%
Anglo American PLC	Basic Materials	3.11%

Top 5 Sectors	
Financial Services	24.07%
Basic Materials	18.07%
Energy	16.91%
Industrials	16.21%
Consumer Cyclical	9.95%

UPDATE….

The fund tends to invest in two types of companies: those where their share price is below what their assets and liabilities suggest it should be, and those that have had their profit and revenue underestimated. In some respects, this might be considered a value fund, but it does this with a quality bias. Because of the value bias and the fact that value has been out of favour this fund in the short term has underperformed the index. But over 5 years and since launch it has outperformed. It has also outperformed over 12 months, and this reflects the value rally.

The manager believes that market is not reflecting what is happening in the UK. Also, the general fund manager surveys state that asset houses are overweight the UK, but this is not reflected in the figures. The fund itself has seen negative outflows this year. The UKs GDP will be near top of the global table, and there is strong earnings momentum especially across transport, mining and quarrying, oil and gas extraction and banks. There are also robust employment figures, wage growth is at 20-year highs and M&A activity is strong.

The fund has reflected the switch to value with a strong Q4 2020 and Q1 2021, but has dropped back in Q2. Some of the best contributors include St Modwen Properties, Grafton Group, RHI Magnesita, WM Morrison and John Laing Group. Negative contributors include AstraZeneca, Diageo, Ashtead Group, Lancashire, and HSBC.

There have been three bids for companies in the top ten, including Morrisons. Some of the other comments on stocks include:

- One theme they are focusing on is secret miners and this includes the likes of RHI Magnesita
- The specialist insurers like Hiscox, Beazley and Lancashire have disappointed
- Beazley's valuation is at decade lows and yet the end of market has been the strongest it has been in a decade
- One Savings Bank is growing its book value and yet trading at a multiyear low
- Taylor Wimpey valuation is at a ten-year low and yet the balance sheet has never been strong
- RIO Tinto is seeing its value come down at a time when the balance sheet is the strongest it has been, there is better capital allocation discipline, they have paid down debt and the dividend yield remains strong

In summary, the UK is unloved, and this fund is in a part of the market that is at the centre of everything that is unloved. Although this is a value strategy it also focuses on quality. It is clear that a shift in sentiment across the companies they invest in could make a significant adjustment to performance. Clearly this happened in Quarter 4 2020 and Quarter 1 2021, but this has fallen away. In terms of why investors might hold the fund it is simply that if they believe these areas of the market are being unfairly targeted and are cheap then this is a great opportunity. But if you believe these are at fair value and this is the norm then perhaps the opportunities are not there. There is also the question of when? This fund could underperform for another few years and then have a couple of good years. How this may work is as a blend with perhaps a growth strategy so the two compliment each other.