SHINING A LIGHT ON THE……
Atlantic House Total Return Fund

AT A GLANCE

Investment Objective
The investment objective of the Fund is to generate positive returns in most market conditions over any given three-year period. There is, however, no guarantee that the Fund will achieve its investment objective.

Fund Launched	7 December 2018
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F000011O4O

Management	
Manager Name	**Start Date**
Tom Boyle	1 April 2020
Tom May	1 June 2020
Clive Hale	1 June 2020

FUND PERFORMANCE

Performance from 1st January 2019 to 31st October 2021:

	2019	2020	2021
Atlantic House Total Return	1.99%	7.97%	3.71%
MSCI World NR	22.74%	12.32%	19.11%

Performance over 12 months, and since launch:

	1 year	Since launch
Atlantic House Total Return	8.03%	15.06%
MSCI World NR	32.46%	56.09%

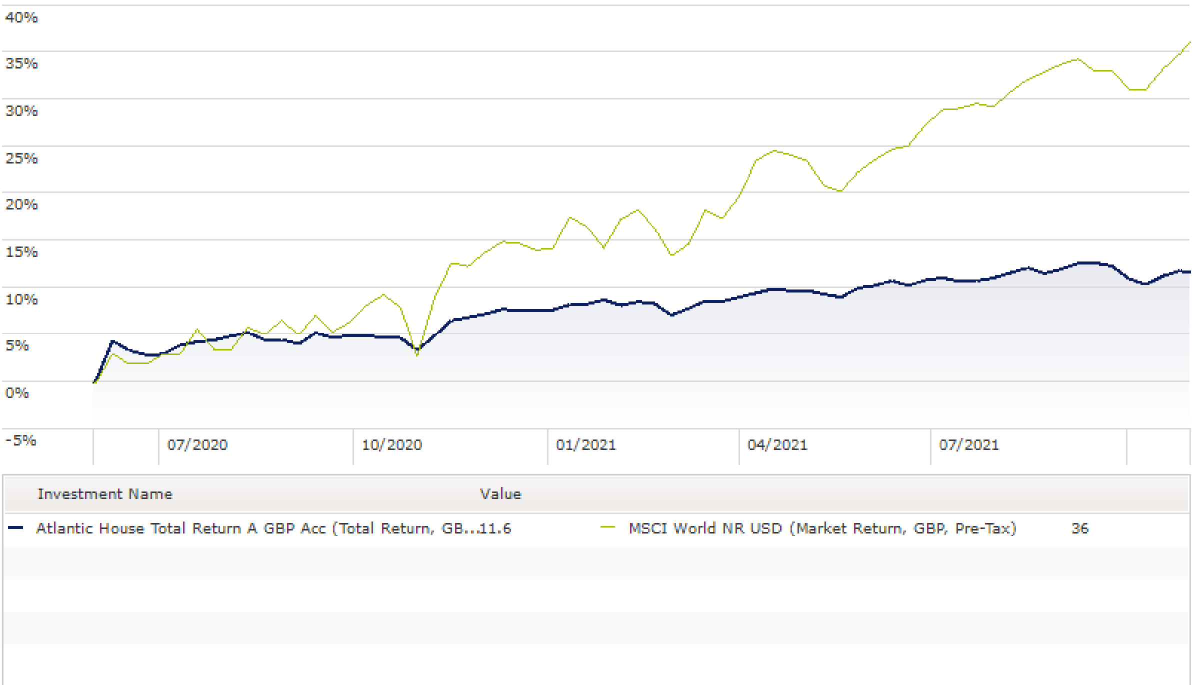
You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

Top 5 Holdings		
United Kingdom of Great Britain and Northern Ireland 0.14%	-	21.02%
United Kingdom of Great Britain and Northern Ireland 7.48%	-	15.58%
United Kingdom of Great Britain and Northern Ireland 4%	-	5.53%
United Kingdom of Great Britain and Northern Ireland 1.89%	-	5.45%
Royal Bank of Canada 0.94%	-	4.98%

UPDATE….

We have followed the Atlantic House Defined Returns Fund for a few years. One of the key points of this strategy is its simplicity and even when the fund goes down you can predict what should happen moving forward. 2020 was a test for the strategy with a sharp fall, and then a predictable recovery throughout the rest of the year. On the back of this the team took over the Atlantic House Total Return Fund in June 2020. There are some similarities in terms of the equity element, but the main difference is that this aims to be less volatile than the Defined Returns Fund, and the target return is lower.

The fund aims to deliver cash + 4%. The chart below shows how the fund has performed since 1 June vs the MSCI World Index.



The key point is the smooth line. There will be negative periods, but the aim is to keep the volatility low and therefore deliver sustainable long-term returns. Unlike other total return funds, the team are not trying to create something that is complicated. The fund is split into three areas – 50% equity, 35% credit and 15% inflation protection.

The equity element uses structured products or auto calls to deliver the returns. They trade with around 14 different banks and believe they can agree deals with returns of around 7 to 8%. We talked about whether this is sustainable going forward and they feel that unless there is a significant shift in risk appetite, they should be able to continue to get these types of returns. Even when the risk appetite was low this year, they could get deals around 6.8%.

The equity element has an innovative volatility overlay which helps to protect the returns when markets are stressed and reduces the risk to half that of equities. The fund has not yet been tested under its new mandate. They did however run the portfolio as a test scenario for the falls in March and the fund was down around 5.5%.

Unlike the Defined Returns Fund, this cannot provide prescriptive returns, but its path should be more dependable. Therefore we would not expect to see big negative swings such as in March 2020. The Defined Returns fund is probably more like an equity strategy whereas this is more about alternatives.

In terms of the credit and inflation linked bonds these are direct investments. The credit is good quality and the inflation linked bonds they have turned to countries like Australia and the UK.

In summary, as Tom said, there is no magic fund which will always be positive, but the direction of travel is important and if they can compound returns with less volatility then they can deliver on the targeted returns they aim to achieve. Although the structured products and volatility overlay is complicated the actual make-up of the strategy is simple, being split across three areas – equity, credit, and inflation protection. Many other strategies are often complicated and when something goes wrong it is hard to understand why things are not working. In a time where bonds are no longer giving the level of protection expected this may be an alternative strategy to consider.

The source of information in this note has been provided by AHFM and is correct as of November 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.